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No. 1016

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

SIGNATROL, INC., a corporation, JOHN W. SUTPHIN, WILLARD E. BACHMAN, JOSEPH E. McNAMARA and WENDELL R. WALKER,

Petitioners,

VS.

EDWARD J. SCHULENBURG, EDWARD J. SCHULENBURG, JR., HELEN E. SCHULENBURG and MARIE E. POTTERAUM, Co-partners doing business as TIME-O-MATIC COMPANY, TIME-O-MATIC, INC., a Corporation, and E-S INDUSTRIES, INC.,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF ILLINOIS

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PETITION FOR CERTIORARI

Petitioners pray that a writ of certiorari issue to review the judgment of the Supreme Court of Illinois entered in this case on September 28, 1965, which became final by the denial of the Petitioners' petition for rehearing on November 18, 1965.

Citations to Opinions Below

The unreported opinion of the trial court, 40 pages in length, is printed in the Abstract* commencing at page 328.

The opinion of the Appellate Court of Illinois, Fourth District (*Schulenburg* v. *Signatrol, Inc.*, 50 Ill. App. 2d 402, 200 N.E.2d 615 (July 23, 1964)), is reprinted in the Appendix** at page 1.

The first opinion of the Illinois Supreme Court, filed March 18, 1965, is unreported and is printed in the Appendix at page 20. The second opinion of the Illinois Supreme Court filed September 28, 1965, as revised November 18, 1965, on the denial of our petition for rehearing, *Schulenburg* v. *Signatrol, Inc.*, 33 Ill.2d 379, 212 N.E.2d 865, is printed in the Appendix at page 33.

The revision or "clarification" of the September 28, 1965 opinion of the Illinois Supreme Court which was made on November 18, 1965 is indicated in the footnote on pages 42 and 43 of the Appendix.

Jurisdiction

The judgment of the Illinois Supreme Court was entered on September 28, 1965 (See Appendix, p. 33; Unprinted transcript of record, p. 47). Rehearing was denied on November 18, 1965 (See Appendix, p. 54; Record, p. 61). The jurisdiction of this Court to entertain this Petition for Certiorari is invoked under 28 U.S.C., Section 1257 (3).

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* Page references to the "Abst." are to the printed Abstract of Record in the Illinois Appellate Court, re-covered in this Court, on which the case was heard in the Illinois Supreme Court. Nine copies have been filed with this Court.

** Page references to the "Appendix" are to the separately-paged appendix bound with this Petition.

Questions Presented

1. On the theory that widely-circulated drawings and blueprints describing the parts of a simple, unpatented electrical device were trade secrets, contrary to the undisputed evidence in the record, the Illinois Supreme Court in this case has made a serious inroad into the Federally-protected right of copying any unpatented article announced in *Sears Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234, on March 9, 1964, while the case at bar was pending in the Illinois Appellate Court, long before the date of the judgment of the Illinois Supreme Court.

2. The judgment below also denies to former employees the freedom of copying an unpatented article which freedom this Court held in the above cases is a right protected against State interference — the judgment below thus denying to the Petitioners equal protection of the laws and depriving them of liberty and property without due process of law in violation of the first section of the Fourteenth Amendment.

3. Lastly, the judgment below is monopolistic in violation of every concept of Federally-protected freedom of commerce, inasmuch as the judgment protects an assembler of an unpatented article against the competition of those most likely to compete with him — his former employees.

The three questions thus presented may be formalized as follows:

1. May a State, by denominating as trade secrets widely-circulated drawings and blueprints (for the purchase and assembly of an unpatented article which is concededly in the public domain) invade and restrict the Federally-protected right of all persons freely to manufacture unpatented articles?

2. May the Federally-protected right of duplicating and selling a simple, unpatented electrical device be evaded by a State's declaring that widely-circulated drawings and blueprints of the parts of the device are trade secrets which former employees of the seller may not copy or memorize, thereby depriving them of liberty and property without due process of law?

3. Are Federal laws and national policy protecting the freedom of commerce violated by a State court decree* which enjoins, everywhere in the world, the Respondents' former employees from manufacturing or selling, directly or indirectly, a simple, unpatented electrical device whose component parts are described in widely-circulated drawings and blueprints which the employees are charged with having memorized or copied?

Provisions of the United States Constitution Here Involved

Article I, Section 8:

The Congress shall have power * * * to promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Article VI, Section 2:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof * * * shall be

---

* The injunction finally approved by the Supreme Court of Illinois enjoins the Petitioners from manufacturing or selling, directly or indirectly, flashers imitative of or operating on the same principle as Respondents' flasher *anywhere in the world* until such time as the trial court may make a determination of the period of time in which the Petitioners may "lawfully" duplicate Respondents' flasher. The manufacture and sale of *parts* of such flashers are similarly enjoined.

the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

Fourteenth Amendment, Section 1:

* * * No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

How the Federal Questions Were Raised Below

The Petitioners raised in their Petition for Leave to Appeal to the Illinois Supreme Court (Appendix, pp. 9-17) the substantial federal question that the use of State unfair-competition law to give relief against copying of unpatented articles conflicts with federal patent laws and thus violates the patent clause of the United States Constitution, U. S. Const. Art. I, § 8 and the supremacy clause, Art. VI, § 2. The Illinois Supreme Court expressly ruled on this aspect of the case by denying the Petitioners' contention (Appendix, pp. 33, 39-40).

In the Petitioners' Petition for Leave to Appeal to the Illinois Supreme Court and in all other briefs filed in the Illinois Supreme Court the substantial federal question was raised that any judicial relief, injunctive or otherwise, denying the petitioners the right to manufacture and sell an unpatented article solely because the petitioners were former employees of the manufacturer of the unpatented article is clearly a deprivation of liberty and property without due process of law and a denial to the petitioners of the equal protection of the laws. U. S. Const. amend.

XIV, § 1 (Appendix, pp. 17-20, 44, 51). This contention of the Petitioners was denied by the Illinois Supreme Court *sub silentio.*

The Petitioners in their Petition for Leave to Appeal to the Illinois Supreme Court and in all other briefs filed in the Illinois Supreme Court raised the substantial federal question that an injunction which enjoined the Petitioners from copying an unpatented article so as to permit the Respondents to enjoy monopoly control over the unpatented article was an express violation of explicit federal policy prohibiting monopolies (Appendix, pp. 9, 20, 44, 51, 54). This contention of the petitioners was also denied by the Illinois Supreme Court *sub silentio.*

STATEMENT

This is a petition for certiorari to the Supreme Court of Illinois seeking review of a judgment affirming a sweeping injunction against the Petitioners prohibiting them from, among other things, manufacturing or selling any electric "flasher" or "timer" or any component parts thereof similar to the Respondents' unpatented device, or manufacturing or selling any electric flasher employing the same principle or principles.

On a petition to review the judgment of the intermediate appellate court, reported in 50 Ill. App. 2d 402, 200 N.E. 2d 615 (1964), affirming the trial court decree, the Illinois Supreme Court initially, on March 18, 1965, reversed the decree of the trial court, held that no trade secret was shown, and that under *Sears Roebuck & Co.* v. *Stiffel,* 376 U.S. 225, and *Compco Corp.* v. *Day-Brite Lighting,* 376 U.S. 234, the manufacture by Petitioners of flashers simi-

lar to Respondents' unpatented flashers could not be enjoined or punished in damages (Appendix, p. 20, at p. 22).

On rehearing, the Illinois Supreme Court struck from its original opinion all references to the evidence disproving the existence of a trade secret, and without discussing the evidence so ignored, held in general language that the "determinations of the trial and appellate courts on the trade secret question are affirmed" (Appendix, p. 42). The Court held that the *Sears* and *Compco* cases were distinguishable because in those cases no problem of trade secrets was present (Appendix, p. 40).

In distinguishing *Sears* and *Compco* the Illinois Supreme Court relied (Appendix, p. 39) upon *Smith* v. *Dravo Corp.*, 203 F. 2d 369 (C.A. 7, 1953), based upon Pennsylvania law, and (Appendix, p. 40) on *Servo Corp. of America* v. *General Electric Co.*, 337 F. 2d 716 (C.A. 4, 1964), rehearing denied with opinion, 342 F. 2d 993 (1965), which as this Petition is written is pending in this Court on a petition for certiorari filed on May 19, 1965 (Oct. T., 1965, No. 154). [The petition for certiorari is by *Servo* and relates to patent aspects not involved in the case at bar.]

The Respondent corporation, E-S Industries, is the successor in interest to a corporation, Time-O-Matic Company (TOM), which was in the business of assembling and selling electric flashers used primarily in the sign industry to cause lights to flash on and off in such a manner as to animate the sign in various patterns or designs.

In 1932, Respondent Edward J. Schulenburg, Sr., went to work for Sangamo Electric Company at Springfield, Illinois, as head of its flasher and timer division and held that position until 1945 when he purchased all of the assets of the flasher and timer division (Abst. 90) for $2,718.61 (Appendix, p. 33). He moved the operation to Danville,

Illinois, under the name of Time-O-Matic Company. Petitioner John W. Sutphin was also an employee of Sangamo. When he returned from military service in World War II he contacted Schulenburg and was employed by TOM. He eventually, without formal title, held the post of general manager (Abst. 53-54, 228-229).

During this period TOM manufactured a Model 3 flasher consisting of two basic types, the first a frame type flasher which contains either one or two electrical contacts and the second a base plate-type flasher, used when more than two contacts are required.

There is no contention by Respondents that the TOM Model 3 flasher, basically the same flasher previously manufactured by Sangamo Electric Company, is patented or that the flasher is a trade secret or that the method of assembling the flasher is a trade secret (Appendix, p. 34; Abst. 169).

Sutphin continued in the employ of TOM until January, 1959, when he and Respondent Schulenburg had a disagreement of policy concerning the operation of the company and Sutphin resigned effective at the end of January, 1959 (Abst. 230). Sutphin thereupon made an investigation to determine whether or not it was feasible to start a company of his own and determined that there was an opportunity for another company in the flasher industry and he then, in March, 1959, organized Signatrol, Inc.

Petitioner Bachman had been employed by TOM since 1947 charged with the general responsibility of designing special equipment. He also assisted in sales work. Bachman left TOM in the middle of March, 1959, after a disagreement with Schulenburg and joined Signatrol (Abst. 308). The Petitioners McNamara and Walker had also been employees of TOM for several years, McNamara as

purchasing agent (Abst. 284) and Walker in the engineering department (Abst. 295). Both of them asked Sutphin whether they could join Signatrol and in April 1959 McNamara left TOM and joined Signatrol as its purchasing agent (Abst. 284). In June, 1959 Walker left TOM and joined Signatrol (Abst. 297).

Prior to that time TOM had virtually monopolized the market for flashers. Approximately 85% of all flashers in operation had been manufactured by TOM (Abst. 234). Sutphin determined that it was necessary to manufacture a flasher that was interchangeable with the flashers already on the market, due to the fact that there was a large demand for flashers to replace those which had worn out. There was also a large demand for replacement parts to replace worn-out parts of flashers (Abst. 234).

The flasher itself is a simple mechanical device (Abst. 130) consisting of a metal frame approximately six inches square having thereon a small electric motor which turns electric switches on and off. These flashers are easily assembled by unskilled workers who need no technical knowledge whatsoever (Abst. 237). Neither Respondents nor Petitioners are true manufacturers but actually buy the motors, gears, sideplates, switches and other parts which they assemble, usually in the manner requested by a customer (Appendix 33, 34).

Many of the flasher parts are regular catalog items furnished by suppliers (Appendix 34-35). Some of the parts are specifically manufactured for both the Respondents and the Petitioners. When ordering these parts from the manufacturer, it is the practice of both Respondents and Petitioners and is frequently the practice of all concerns dealing with suppliers, whether dealing in flashers or not, to furnish the supplier with a blueprint of the item desired. This shows the size, dimensions and other information necessary to manufacture the part.

There is no better statement supporting the Petitioners' contention that the drawings and blueprints of the Respondents (used by them to purchase some of the component parts of the flashers and to assemble these unpatented mechanical devices) are not trade secrets than the following language of the original opinion of the Illinois Supreme Court (Appendix, pp. 23-24) which was deleted from the final opinion:

> " * * * In this connection, it must be pointed out that the blueprints were customarily submitted to several suppliers by the plaintiffs in order to secure the most favorable bids for the manufacture of parts; no effort was made by the company to keep the information on such plans and blueprints secret; the suppliers were never advised that the plans contained any secret information; they were never requested to keep the information on the plans secret; and the plaintiffs never requested a return of the blueprints and plans from suppliers to whom they were sent. The electrical principle involved is well known and plaintiffs' unpatentable product is for sale and anyone can buy it. Anyone reasonably skilled in the art, could, without difficulty, duplicate plaintiffs' flasher from an examination of the flasher itself and lawfully engage in a competing business."

The undisputed evidence in the record fully sustains the above initial holding by the Supreme Court of Illinois. This evidence is summarized and heavily documented in the attached Appendix at pages 48, 49 and 50.

This initial opinion also held that no trade secret was proved and on March 18, 1965 the court unanimously reversed the judgment of the intermediate appellate court and remanded the cause to the trial court with directions to dismiss the complaint.

On May 19, 1965, the Supreme Court of Illinois denied the Respondents' petition for rehearing, but two judges who originally joined in the unanimous opinion filed a dissenting opinion (Appendix, pp. 27-32) and twenty-four hours later the court on its own motion vacated its previous order of denial and granted the Respondents' petition for a rehearing. On September 28, 1965, the court filed an opinion deleting its reference to the undisputed evidence proving that no trade secret was involved and held that the Respondents' drawings and blueprints were trade secrets, but it modified "the injunction so as to limit its duration to the period of time reasonably required for defendants to legally produce" copies of Respondents' flasher (Appendix, p. 42fn).

The trial judge was directed that if on remandment "the evidence establishes that the period of time required for reproduction of the flashers by lawful means, computed from the date defendants [Petitioners] first commenced production, has now expired, the injunction order should be vacated". (Appendix, p. 43 fn.)

Later, on November 18, 1965, in denying Petitioners' petition for a rehearing which is set forth in the Appendix hereto (pp. 44-54), the court altered its opinion by providing that upon remandment the trial court should order "the enforcement of the original injunction pending a prompt determination of the time required for the reproduction of the flashers by lawful means" and that the "injunction should then be modified to terminate upon the expiration of such time period" (Appendix, p. 43).

The net effect of these various changes was to affirm a sweeping injunction against the Petitioners, former employees of the Respondents, preventing them from manufacturing or selling unpatented electric flashers, or parts

thereof, imitative of or operating on the same principles as Respondents' flashers anywhere in the world until such time as the trial court may make a determination of the period of time in which Petitioners might "lawfully" have copied the Respondents' unpatented flashers. The injunction will be found in the Abstract, pp. 28-31, and is summarized in the Appendix hereto, pp. 9-11.

The remanding order also ordered a hearing on the question of damages which had been reserved by the trial court, but since no rule of damages was laid down by the Illinois Supreme Court and no damages have as yet been assessed the question of damages is not ripe for decision here.

The trial court, now affirmed by the Illinois Appellate and Supreme Courts, held that Petitioners had copied some of the drawings and blueprints of Respondents, but that whether copied or memorized the Respondents' drawings and blueprints comprised trade secrets which the Petitioners could not lawfully copy or memorize.

REASONS FOR GRANTING THE WRIT

I.

It is Important to Determine the Extent, if at all, that the Claim of a Trade Secret Avoids the Federally-Protected Right to Duplicate and Sell Unpatented Devices.

The Petitioners contend that *upon the undisputed evidence* in this record the Respondents' widely-circulated drawings and blueprints were not trade secrets and that under *Sears Roebuck & Co.* v. *Stiffel*, 376 U.S. 225 (1964), and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234 (1964), the Petitioners cannot lawfully be enjoined from manufacturing and selling unpatented devices described in those drawings and blueprints or be punished in damages for doing so. We recognize that we are bound by the findings of the courts below *on conflicting evidence* to the effect that Petitioners either copied or memorized the Respondents' drawings, but we are not bound by the finding that the drawings are trade secrets when that unsupported finding is made the basis for denying a federally-protected right:

> *New York Times Co.* v. *Sullivan*, 376 U.S. 254, 285 (1964);
>
> *Fiske* v. *Kansas*, 274 U.S. 380, 385-86 (1927).

The undisputed evidence freely conceded by Respondents (Abst. 330; Appendix, pp. 34-35) is that the assembled "flashers" are in the public domain, unpatented and unpatentable, and that they can be duplicated from an examination of the flasher itself by anyone reasonably skilled in the art (Respondent Schulenburg, Abst. 130-131, 167). To evade the *Sears* and *Compco* cases, however, the Respondents successfully contended that the drawings describing the flashers were trade secrets, although the flashers were not.

The undisputed evidence is that the drawings were not trade secrets. The drawings of various parts of the flashers were not kept under lock and key and were available to all employees in Respondents' plant (Abst. 93, 132, 168, 286). No inventory was kept of the drawings and any employee could go through the drawers without being questioned. Some of the drawings were left out on benches over night (Abst. 166-167, 286).

None of the Respondents' employees was ever notified orally or in writing that the drawings and blueprints were secret (Abst. 168, 285), and Respondents did not exact any written agreements from employees as to secrecy (Abst. 132, 168, 286).

Each prospective supplier of parts received a drawing of the part that he was to bid on (Abst. 56, 93, 286), and nothing was said about any secrecy of the plans in the letters of transmittal (Abst. 286-287). These drawings of parts were submitted without any request that they be returned, so there may be drawings scattered around the companies which have not been returned or thrown away (Abst. 132).

Although Respondent E. J. Schulenburg, Sr. first testified that no complete set of drawings was sent out of the plant (Abst. 56, 93-94), it was later admitted by him that a complete set of sepia drawings—a type of drawing selected because of the ease of reproducing a large number of copies therefrom—had been sent to Martin-Marietta Company in Colorado which was neither an employee nor a supplier (Abst. 280-281, 300-301).

The above undisputed evidence shatters the theory that the Respondents' drawings and blueprints were *secret*. Therefore, they were not *trade secrets*.

In its original opinion in this case, the Illinois Supreme Court, on the undisputed evidence which we have listed above, properly held (Appendix, pp. 26-27, omitted from the final opinion:

> "The only permissible restriction affording injunctive relief in this case is the unlawful violation of a definite trade secret. The plaintiff's [Respondents'] blueprinted 'know-how' does not qualify under the circumstances as a trade secret. Therefore, the defendants could not have been guilty of unfair competition for the plaintiff's claim of trade secret does not meet the qualifications of the law."

In its original opinion the Illinois Supreme Court also said (Appendix, p. 22, omitted from the final opinion):

> "The Supreme Court of the United States has held that no State may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright. *Sears, Roebuck & Co.* v. *Stiffel,* 376 U.S. 225, 11 L.ed 2d 661; *Compco Corp.* v. *Day-Brite Lighting,* 376 U.S. 234, 11 L. ed 2d 669."

At the risk of dignifying too much an opinion which the court below itself rejected, we believe that the original opinion correctly stated the applicable Illinois law on the question of trade secrets as follows (Appendix, pp. 24-26, omitted from the final opinion):

"In order to constitute a trade secret which will be protected by injunction there must be a plan, process, tool, machine or compound known only to the owner and those employees to whom it is necessary to confide in secret. Therefore, a process commonly known in the trade is not a trade secret entitled to injunctive protection, and matters which are generally known in the trade or readily

discernible by those in the trade cannot be made secret by being so labeled. (*Victor Chemical Works* v. *Iliff*, 299 Ill. 532; *Sarkes Tarzain, Inc.* v. *Audio Devices, Inc.*, 166 F. Supp. 250, 265 (D. Cal. 1958), aff'd 283 F.2d 695 (9th Cir. 1960), *cert.* denied 365 U.S. 869, 5 L. ed. 2d 859.) Here there is ample evidence in the record to show that the information conveyed to defendants was of such a nature that it was generally known in the trade. In addition, none of the employees were ever told that the plans were secret or confidential, no secrecy agreement was ever required of any employee and no employee was required to enter into any restrictive covenant not to engage in any competitive business with plaintiff.

"The Restatement of Torts contains a comprehensive treatment of the principles concerning liability for disclosure or use of others' trade secrets. In section 757 of the Restatement of Torts under comment b it is stated as follows:

" '*Definition of a trade secret.* A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.

* * *

" '*Secrecy.* The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowlede in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret.'

"Defendants are accused of copying or memorizing necessary information and using it in their manufacturing process in competition with their former employers. The Appellate Court quoted, with approval, the memorandum

opinion of the trial court which states: 'By defendants' own statement they carried away from plaintiffs mental pictures of the plaintiffs' drawings, and specifications, and from that mental picture they reproduced it upon paper—an accurate copy of the original. It was no more or less than a copy made from the original. * * * The human eye is but a photographic lens, and the mind is the film. Through the lens the object is exposed to the sensitive film, the mind. * * * These mental pictures were obtained while in plaintiffs' employment, and to carry them away in this manner was a violation of a confidence reposed in them by their employer, as if they had made copies or photographs and carried them away.'

"The law is well settled that an employee, upon terminating his employment, may carry away and use the general skill or knowledge acquired during the course of the employment. '[E]quity has no power to compel a man who changes employers to wipe clean the slate of his memory.' (*American Cleaners and Dyers* v. *Foreman,* 252 Ill. App. 122; *Peerless Pattern Co.* v. *Pictorial Review Co.,* 147 App. Div. 715, 132 N.Y.S. 37, 39.) In *American Cleaners and Dyers* v. *Foreman,* 252 Ill. App. 122, the court reversed an injunction against defendants who were former route drivers for a laundry and dry cleaning firm who went to work for a competing laundry and solicited their old customers whose names and addresses they had remembered.

"A 1958 federal case, *Sarkes Tarzain, Inc.* v. *Audio Devices,* 166 F.Supp. 250, contains an excellent statement of the information which an employee has the right to carry away and use in competition with his former employer:

" 'Of necessity, whenever a change of employment of this type occurs and former employees enter into the employ of another with whom they engage in a competitive business, it is inevitable that some of the knowledge acquired while in the employ of the other should be made available to the new employer. But, as already appears, the courts will not deprive the employee of the right to use the skill he developed through the years.

* * *

" 'So there is agreement among the courts that, except, where real trade secrets are involved, an employee may compete with his former employer and with such knowledge and skill as he has developed in the former's employ.' "

The above material was entirely deleted from the final opinion and only one case is cited therein to justify the complete turnabout on the question here involved, *Smith* v. *Dravo, Inc.*, 203 F.2d 369 (C.A. 7, 1953), which the court below found "most persuasive" (Appendix, p. 39). In *Dravo* the Court of Appeals found (p. 374) that the plaintiff's plans were secret and had never been disclosed to the trade, which completely differentiates that case from the case at bar. Furthermore, *Dravo* was based on a Federal court's determination of Pennsylvania law. The Supreme Court of Pennsylvania has very recently spoken on the subject of alleged trade secrets in a suit between a manufacturer and former employees and refused to follow the *Dravo* case, stating, *Van Products Co.* v. *General Welding & Fabricating Co.*, 213 A.2d 769 (Oct. 13, 1965) at page 780:

> "We feel that the authorities holding that public disclosures destroy plaintiff's right to maintain a cause of action to preserve his trade 'secret' against a competing former-employee who has violated a duty of

> confidence are more sound in theory and practice than those continuing to look to the relationship of the parties as a basis for the action. * * * The starting point in every case of this sort is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated: *National Starch Products, Inc.* v. *Polymer Industries, Inc.*, 273 App. Div. 732, 79 N.Y.S.2d 357 (1948)."

Mr. Justice Cohen concurred specially on the ground that *Sears Roebuck & Co.* v. *Stiffel*, 376 U.S. 225, and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, clearly indicate that the field has been pre-empted by the Federal patent law and that "state law of unfair competition is in conflict with the patent law and in the interest of uniformity and unburdened competition relief by way of damages or injunction based on the state law of unfair competition may not be allowed" (213 A.2d 769 at 781).

The Illinois Supreme Court cited *Servo Corp.* v. *General Electric Co.*, 337 F.2d 716 (C.A. 4, 1964) rehearing denied with opinion 342 F.2d 993 (C.A. 4, 1965), Term No. 154, October Term, 1965, for the proposition that *Sears* and *Compco* do not apply to trade secret cases. A trade secret was found to exist in that case. Whether the existence of a true trade secret avoids the rule of *Sears* and *Compco* should be decided by this Court. If possession of a trade secret insulates its owner from the exercise of a Federally-protected right of others to compete with him, it is highly desirable (as shown by the present record) that this Court establish criteria with which evidence of such a trade secret must comply.

The Supreme Court of Illinois in the instant case refused to follow *Sears* and *Compco* on the ground that those cases did not deal with trade secrets. Our short answer to this is that no trade secret is involved in this

case either, and that *Sears* and *Compco* should have been given effect. We submit that to preserve the integrity of the rule announced in *Sears* and *Compco* and to avoid evasion on the pretext that a trade secret is involved certiorari should be granted in the instant case.

The obvious difficulty which the Illinois Supreme Court had with the instant case, the contrary opinion of the Pennsylvania Supreme Court in *Van Products Co.*, just discussed, and the legal literature* bearing on the proper relationship of this Court's opinions in *Sears* and *Compco* to trade secret cases, all indicate the desirability of a grant of certiorari here to delineate the extent, if any, to which a state court may go in restricting the Federally-protected right to duplicate unpatented devices.

II.

Certiorari Should be Granted Because this Injunction Prohibiting the Duplicating and Selling of an Unpatented Article is a Deprivation of Liberty and Property Without Due Process of Law and a Violation of the Equal Protection of the Laws.

In the case at bar there is no doubt that anyone (other than the Petitioners) who wishes to duplicate the Respondents' electric flashers and sell them on the market may do so with impunity. The lower court held that the Petitioners' conduct was actionable because it found that the Petitioners gained their information (which is open to the trade, generally) of the Respondents' flashers while

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* "PRODUCT SIMULATION: A RIGHT OR A WRONG?" by Daphne R. Leeds, Milton Handler, Walter J. Derenberg, Ralph S. Brown, Jr. and Paul Bender, 64 Columbia L. Rev., 1178, at 1189, 1203, 1208, (1964); "THE SEARS AND COMPCO CASES: A FEDERAL RIGHT TO COMPETE BY COPYING", by Lionel Kestenbaum, 51 Amer. Bar Journal 935, at 938, (Oct. 1965).

in the employ of the Respondents. The broad injunction granted by the trial court effectually precludes the Petitioners from engaging in any business activity connected with the flasher or timer for a period of time not yet determined but which may prove to be long enough to put the Petitioners out of business.

The mere fact that Petitioners obtained their information regarding the Respondents' concededly simple flasher while employed by the Respondents is not enough to justify the palpable discrimination against the Petitioners which is a violation of the first section of the Fourteenth Amendment.

Moreover, the injunction and the decision of the Illinois Supreme Court reduce the Petitioners to virtual servitude in denying them their right to work in their chosen field—in the case of Petitioner Sutphin, for example, in the only business in which he has ever been engaged.

III.

The State Court Judgment Violates the Concept of Federally-Protected Freedom of Commerce and Tends Toward Monopoly.

Prior to the time the Petitioners began competing with the Respondents in the flasher business the Respondents enjoyed a virtual monopoly over this market inasmuch as they had manufactured 85% of all flashers in operation (Abst. 234). It is clear beyond any question that this monopoly control flies directly in the face of the Federal government's explicit policy against all forms of restraint of trade and commerce, cf. Sherman Act, 69 Stat. 282, 15 U.S.C.A. §2 (1963).

The lower court in the instant case enjoins the Petitioners from manufacturing or selling flashers, imitative of or operating on the same principles as Respondents'

flashers anywhere in the world until such time as the trial court may make a determination of the period of time in which Petitioners might "lawfully" have duplicated Respondents' unpatented flasher. Although the injunction may ultimately be limited as to time, the injunction is not limited as to geographic area. During the period of time—indefinite in its termination but certain in its commencement—that this injunction remains in effect the injunction again gives the Respondents monopoly control in the flasher market, contrary to the clear Federal policy embracing freedom of competition. If the interruption in the Petitioners' business which the Illinois Supreme Court has affirmed results in the Petitioners' being put out of business permanently the Respondents will have succeeded in restoring to themselves a virtual monopoly of this industry.

CONCLUSION.

Because the judgment below imposes severe and unwarranted restrictions on Federally-protected constitutional rights and—on the pretext that a trade secret exists—has restricted a Federal right sustained by this Court in *Sears* and *Compco,* the writ of certiorari ought to be granted.

Respectfully submitted,

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APPENDIX

On July 23, 1964, the Illinois Appellate Court, Fourth District, filed the following opinion (*Schulenburg* v. *Signatrol, Inc.*, 50 Ill. App. 2d 402, 200 N.E. 2d 615), which is appended to defendants-petitioners Petition for Leave to Appeal to the Illinois Supreme Court, marginal record page 2, below:

SMITH, J.

Plaintiffs manufacture and sell devices for automatically making and breaking electrical circuits. Such devices known in the trade as flashers are used in display signs where changing light patterns or a flashing effect is thought desirable. Plaintiffs were first in the field, at least they were there before defendants, all of whom are former employees who left to form their own competing company, Signatrol, also a defendant. For our purposes we can group defendants as one as we can the various plaintiffs. The lower court issued an injunction restraining defendants from the further manufacture and sale of competing flashers, in effect, putting them out of business and they appeal. Damages, if any, are postponed pending the outcome here.

Plaintiffs say that their manufacturing "know-how" is a trade secret which was imparted in confidence to defendants while employees and that such secret has been used by them in manufacturing a competing product. Defendants deny utilization by them of any such secret, in fact, they deny its very existence. All they used, they answer, were acquired skills and such general knowledge of the operation as the law permits them to take away.

Plaintiffs' trade secret, if it is, is to be distinguished from the product itself in which they have no property right, being devoid of patent protection. The electrical principle involved is well known and plaintiffs' product is for sale and anybody can buy it. For that matter anybody can duplicate it if they want to and can go into business. Competition is considered a very good thing (in the flasher business), but those who choose to go, must use fair means, not foul. If fair means are used the field is wide open to all comers for the owner of a trade secret as distinguished from the owner of a patent has no right as such to exclude others from using it. Relief is only granted when someone attempts to use the secret in violation of some general duty of good faith such as an abuse of confidence. Such an abuse results in unfair competition and equity will then intervene if called upon.

Assuming possession of a trade secret by plaintiffs, assuming its disclosure in confidence to defendants while employees, assuming its profitable use thereafter by them to plaintiffs' financial detriment, is this unfair competition? Posited thusly, the answer is immediately apparent. Misuse of confidential information by erstwhile employees as a weapon of attack upon their former employer is indeed unfair competition for it shocks one's sense of fair play. Even in times gone by, when the law took a less jaundiced view, such conduct was not defended upon the ground that it was fair. Lord Kenyon in *Nichols* v. *Martyn* (2 Esp 732) characterized such conduct as "not handsome", but yet for his time not contrary to law. It is for ours without meaning to cast aspersions on a more free-wheeling age. Other courts and writers are of this concensus. In *Franke* v. *Wiltschek,* 209 F.2d 493, it was stated:

> "But the tendency of the law, both legislative and common, has been in the direction of enforcing increasingly higher standards of fairness or commercial

> morality in trade. The tendency still persists. The present case surely is not one where we are disposed to attempt to reverse the trend."

Misuse of confidential information, because it can result in unfair competition, is said to be violative of an implied condition that "he will not after the service is determined use information which he has gained while the service has been subsisting to the detriment of his former employer". *Essex Trust Co.* v. *Enright,* 214 Mass. 507. To sum up—misuse of confidential information or breach of an implied condition are but text in the larger context of unfair competition and such competition can run afoul of the equitable doctrines which condemn fraud and over-reaching. For our context the rule is, that an employee lawfully entering upon a competing business may be enjoined from using trade secrets of his employer's business obtained during the course of his employment.

Obviously all knowledge acquired by an employee does not partake of a trade secret. His relationship to his employer may be confidential, but not the knowledge. That which by experience has become a part of a man's general knowledge cannot and ought not to be enjoined from further and different uses. Again, in *Junker* v. *Plummer,* 67 N.E. 2d 667 (Mass. 1946) the rule is stated thusly:

> "The law is well settled that an employee upon terminating his employment may carry away and use the general skill or knowledge acquired during the course of the employment. (Citing cases) But it is equally well estabished that out of the 'relationship of employer and employee certain obligations arise, including that which precludes an employee from using, for his own advantage or that of a rival and to the harm of his employer, confidential information that he has gained in the course of his employment.'"

All would agree that equity should not restrict the subsequent use of general skills and knowledge and this for the reason that such use simply does not shock one's sense of fair play. But this line between the useable and the non-useable is hard to draw. Overstrict, we create a monopoly of first users—a very bad thing in our society, if we acknowledge the desirability of encouraging individual business enterprise and initiative which we do. Plaintiffs agree:

> "We do not question or dispute this right (to enter into a competing business) in the defendants. However, there was a legal and an illegal method open for adoption by defendants in preparing to enter into such competing business and producing products in competition with their former employer and defendants deliberately chose the illegal method."

This method, they say, took the form of either copying or memorizing their "know-how" on blueprints during the time they were employed and putting it to use in manufacturing a competitive product.

We thus come to grips with the central question presented by this appeal. Was there a "trade secret"? In defining these two words we need not be concerned, as we are elsewhere, with searching for some esoteric meaning for none exists, though for a play on words, the information to be "secret" must be "esoteric" in the sense of being restricted to an inner circle. As there are two words there are two aspects. It must be secret and the secret must relate to business (trade). Formulae, lists, patterns and blueprints are examples. To be secret means that a blueprint, for example, is not in the public domain through divulgence and that it is not too easily discoverable; that is, apparent to all without too much hard work.

Was plaintiffs' blueprinted "know-how" a secret? Well, they considered it a secret and attempted reasonably to keep it so (without much success), and their intent and attempt, we suppose, are of importance in answering the question. It *was* imparted privately to a select few—defendants among them. That the secret was spyed *(sic)* out does not make it any less a secret nor does the fact that their finished product was on the market amount to either a divulgence or an abandonment of such secret. In *Smith* v. *Dravo,* 203 F. 2d 362, it was said:

> "But this (publicity material) was not equivalent to a disclosure of the structural design, the engineering details, of either the container as a whole or its various working parts. This could only be obtained by careful inspection of the article and the drawings."

Certainly this secret was one connected with business. In manufacturing their flashers, plaintiffs used an assembling process. The component parts were secured from suppliers and then put together. For each part there are very precise drawings or blueprints showing the dimensions and metallurgical specifications. These are furnished the suppliers. We agree with the court below that the information, measurements, designs, and material specifications contained on these blueprints or drawings and used in the manufacturing process qualify as a trade secret in view of the fact they were kept confidential. We have thus answered our first question—plaintiffs were possessed of a trade secret.

We arrive at the final question of use by defendants, which like our first query, has two points. Were the blueprints copied or memorized, and if so, did defendants utilize such knowledge in producing a competitive product. First off, let it be said that the question of means, whether copied or memorized, is immaterial to a proper conclusion

as distinguished from irrelevant. Either is a taking. In logic why should plaintiffs be entitled to less protection if their secret was memorized rather than copied? The question answers itself. Copying has obvious advantages since memory does play tricks, but if enough is remembered it will certainly do. In this voluminous record there is ample evidence of copying, very good evidence indeed, and there is even better evidence, almost an agreement, that defendants did memorize the salient details. There is likewise substantial evidence that they drew on both in making up their blueprints and that such were used by them in the same manner as plaintiffs used them. This is enough for injunctive relief. The court below, in an excellent memorandum opinion, said this:

> "By defendants' own statement they carried away from plaintiffs' mental pictures of the plaintiffs' drawings, and specifications, and from that mental picture they reproduced it upon paper—an accurate copy of the original. It was no more or less than a copy made from the original. . . . The human eye is but a photographic lens, and the mind is the film. Through the lens the object is exposed to the sensitive film, the mind. . . . These mental pictures were obtained while in plaintiffs' employment, and to carry them away in this manner was a violation of a confidence reposed in them by their employer, as if they had made copies or photographs and carried them away."

Nor does it make any difference that defendants need not have taken the course they did in getting their business going. The fact of the matter is, they did use plaintiffs' secret and thus gained a distinct advantage. For defendants to have manufactured an identical flasher minus plaintiffs' secret would have been a laborious and expensive process. There would have been need for a metallurgical analysis, precise measuring, and doubtless after that, a

period of trial and error. We quote from an analogous situation in *Tabor* v. *Hoffman,* 118 NY 30, 23 NE 12, involving molding patterns:

> "The pump consists of many different pieces, the most of which are made by running melted brass or iron in a mold. The mold is formed by the use of patterns, which exceed in number the separate parts of the pump, as some of them are divided into several sections. . . . The size of the patterns cannot be discovered by merely using the different sections of the pump, but various changes must be made and those changes can only be ascertained by a series of experiments, involving the expenditure of both time and money. Are not the size and shapes of the patterns, therefore, a secret which the plaintiff has not published and in which he still has exclusive property? Can it be truthfully said that this secret can be learned from the pump when experiments must be added to what can be learned from the pump before a pattern of the proper size can be made? As more could be learned by measuring the patterns, than could be learned by measuring the component parts of the pump, was there not a secret that belonged to the discoverer until he abandoned it by publication, or it was fairly discovered by another?"

The lugubrious chore of duplicating each part from a model was circumvented by defendants with copies of plaintiffs' blueprints in hand. That defendants could have traveled a legal route, is beside the point. They chose a short cut and in doing so are accountable in equity. *Franke* v. *Wiltschek,* 209 F. 2d 493, 495, noted above, is apropos:

> "Defendants argue that the heart of plaintiffs' process was revealed by an expired patent, and that the improvements thereon were unpatentable applications of mechanical skill. This totally misconceives the nature of plaintiffs' right. Plaintiffs do not assert, indeed cannot assert, a property right in their develop-

> ment such as would entitle them to exclusive enjoyment against the world. Theirs is not a patent, but a trade secret. The essence of their action is not infringement, but breach of faith. It matters not that defendants could have gained their knowledge from a study of the expired patent and plaintiffs' publicly marketed product. The fact is that they did not. Instead they gained it from plaintiffs' via their confidential relationship, and in so doing incurred a duty not to use it to plaintiffs' detriment. This duty they have breached.

And again in *Vitro Corporation of America* v. *Hall Chemical Co.*, 254 F. 2d 787, at page 793:

> "The fact that Hall's trade secrets could have been discovered just as he discovered them, by extensive and painstaking experimentation, which led from known factors to an ascertainable result, does not destroy the value of the discovery nor eliminate the liability of Vitro."

The short cut used by defendants enabled them to compete with plaintiffs on equal terms by sparing them the necessity of spending time and money in acquiring the "know-how". Competition is a desideratum in our economic system, but it ceases to serve an economic good when it becomes unfair. The concept of fair play should not be shunted aside on the theory that competition in any form serves the general good. Only *fair* competition does that. Unfair competition is not competition at all in the truest sense of the word. We see no good purpose in condoning defendants' conduct by lifting the injunction. If defendants are now out of business they can only blame themselves. They were not born that way but got that way on their own. It may be that in getting there, they did not know of the consequences, of the duty equity would impose on them, but this is a mistake of law. Defendants' action, therefore, cannot be excused, nor can it be condoned, as we have said. We therefore hold that the use by defendants

of plaintiffs' trade secret, whether copied or memorized, made known only to them as employees in the furtherance of plaintiffs' business may not now be used by them in a competing business of their own.

The injunction is indeed drastic, but they always are. We do not see how we can make it any less sweeping and yet give to plaintiffs their just due. The order appealed from is accordingly affirmed.

AFFIRMED.

CROW, P. J. and SPIVEY, J. CONCUR.

1 On September 15, 1964, the Petition for Leave to Appeal was filed in the Illinois Supreme Court on behalf of Signatrol, Inc., a corporation, John W. Sutphin, Willard E. Bachman, Joseph E. McNamara and Wendel R. Walker, defendants-petitioners.

2 Following are excerpts from defendants-petitioners' Petition for Leave to Appeal referring to the substantial federal questions in this lawsuit:

2.*4 The Trial Court's Decree and its Affirmance by the Appellate Court Violate the Constitution and Patent Laws of the United States.

The decree in this case is not limited to depriving the defendants of the right to use plans allegedly copied (which is denied) but enjoins them forever, without limit in time or geographical area, from doing the following:

(a) The sale, manufacture or production of any flasher or timer or any of the component parts of any flasher or timer, machine or device substantially sim-

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* The decimal refers to the internal pagination of the Petition for Leave to Appeal.

ilar to the Signatrol Model No. 30 (Abst. 28). As the Signatrol Model No. 30 is substantially similar to both TOM [plaintiff Time-O-Matic] Model No. 3 and the competitive McMahon flasher, and is necessarily similar to any flasher that can be sold to fit standardized sign brackets, it is obvious that if this decree stands the defendant Sutphin, for example, can never again engage in the only business in which he is trained and qualified.

2.5 (b) Paragraph B-2 of the Decree (Abst. 28) goes one step further and enjoins the defendants from ever selling, manufacturing or producing a flasher or timer using the same principle or principles employed or used in the Signatrol Model No. 30 or TOM Model No. 3. It is undisputed that the only principle involved in these flashers is the mere opening and closing of an electric switch actuated by an electric motor which is a basic principle which has been used for many decades in the electrical industry, almost since the use of electricity became common. Yet these defendants are enjoined by the decree forever and perpetually from even selling a device operating on this principle, namely, that of the opening and closing of an electric switch by an electric motor.

(c) Paragraph B-3 of the decree (Abst. 28-30) enjoins the defendants from the sale, manufacture or production of flashers which possess and use any parts which are substantially the same as parts represented by a series of 36 drawings and blueprints listed in the decree. This portion of the injunction enjoins not the use of the plans and blueprints but the manufacture, sale and production of any parts similar to those shown in the drawings and blueprints offered in evi-

dence by the plaintiffs. This bars the defendants from even acting as salesmen or dealing in parts of flashers for other companies.

(d) Provision B-4 of the decree (Abst. 30) enjoins the defendants from use of plaintiffs' plans, drawings and sketches and of any information contained thereon or therein. However, this paragraph also goes further and deprives the defendants of use of "like drawings, plans or sketches for any purpose" and any information contained thereon or therein. This provision is not limited to plaintiff's plans and sketches but it is so broad as to prohibit the defendants from submit-
2.6 ting plaintiff's unpatented devices to a completely independent engineering firm who had no previous connection or knowledge or association of any kind with the plaintiffs and thereby independently securing plans, sketches and drawings. Such drawings independently prepared fall within the bar of the decree because they would in describing plaintiff's unpatented devices of necessity be "like" the drawings, plans and sketches from which the plaintiff assembles the unpatented devices.

(e) Paragraph B-5 of the decree (Abst. 30-31) bars the defendants from using any information the defendants obtained in confidence while employees of the plaintiff. The decree does not specify what information is confidential, what information is not confidential and what information the defendants had prior to their employment by the plaintiff. It is so vague and indefinite as to be clearly erroneous.

This decree clearly violates Section 8 of Article I of the Constitution of the United States, the patent clause, which states that "The Congress shall have power

* * * To promote the Progress of Science and Useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries".

The decree therefore, also violates the supremacy clause providing in part:

> "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof * * * shall be the supreme law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding."

2.7 The Supreme Court of the United States has held that no State may by laws dealing with unfair competition (which is precisely the ground asserted by the plaintiffs here) enjoin, or impose damages, for the manufacture and sale of unpatented articles. We submit that this holding puts an end to the present case.

On March 9, 1964, the United States Supreme Court decided two companion cases involving the Illinois law of unfair competition as it relates to the copying of another's products. *Sears, Roebuck & Co.* v. *Stiffel,* 376 U.S. 225, is the first of these cases. Stiffel had perfected a pole lamp which stretched between the floor and the ceiling of the room to which pole three lamps with swivel brackets were connected. Stiffel was very successful in selling this lamp on the market and thereafter Sears manufactured a substantially identical lamp which was sold in competition with Stiffel. Stiffel had obtained a patent on its pole lamp prior to putting the same on the market. Stiffel then brought suit against Sears on the basis both of patent infringement and unfair competition. Sears

answered that the patents in the suit were invalid and that Sears was not guilty of unfair competition. The district court decided that the patent was invalid but found that there was unfair competition by Sears in selling an identical lamp in competition with Stiffel. The Court of Appeals for the Seventh Circuit affirmed the trial court's judgment on the basis of unfair competition. *Stiffel Co.* v. *Sears, Roebuck & Co.*, 313 F.2d 115.

Upon certiorari to the Supreme Court of the United States the judgment of the Court of Appeals was reversed. Mr. Justice Black, speaking for a unanimous court, summarized the basic issue of the case as follows 376 U.S. at p. 225):

2.8 "The question in this case is whether a State's unfair competition law can, consistently with the federal patent laws, impose liability for or prohibit the copying of an article which is protected by neither a federal patent nor a copyright."

The opinion then reviewed in detail the history of the federal patent laws and the constitutional provisions concerning patents and then said (pp. 230-232):

"Thus the patent system is one in which uniform federal standards are carefully used to promote invention [231] while at the same time preserving free competition.[7] Obviously a State could not, consistently with the Supremacy Clause of the Constitution,[8] extend the life of a patent be-

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"[7] The purpose of Congress to have national uniformity in patent and copyright laws can be inferred from such statutes as that which vests exclusive jurisdiction to hear patent and copyright cases in federal courts, 28 U.S.C. § 1338(a), and that section of the Copyright Act which expressly saves state protection of unpublished writings but does not include published writings, 17 U.S.C. § 2.

"[8] U.S. Const., Art. VI."

yond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time. Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as that forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws.

"In the present case the 'pole lamp' sold by Stiffel has been held not to be entitled to the protection of either a mechanical or a design patent. An unpatentable article, like an article on which the patent has expired, is in the public domain
2.9 and may be made and sold by whoever chooses to do so. What Sears did was to copy Stiffel's design and to sell lamps almost identical to those sold by Stiffel. This it had every right to do under the federal patent laws. That Stiffel originated the pole lamp and made it popular is immaterial. 'Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested.' *Kellogg Co.* v. *National Biscuit Co., supra,* 305 U.S. at 122. To allow a State by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be [232] to permit the State to block off from the public something which federal law has said belongs to the public. The result would be that while federal law grants only 14 or 17 years' protection to genuine inventions, see 35 U.S.C. §§ 154, 173, States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated."

In concluding to reverse the judgment of the Court of Appeals the Supreme Court stated (p. 232) that doubtless a State may require labelling to prevent customers being misled as to the source but added (pp. 232-233):

> "But because of the federal patent laws a State may not, when the article is unpatented and uncopyrighted, prohibit the [233] copying of the article itself or award damages for such copying. Cf. *G. Ricordi & Co.* v. *Haendler*, 194 F.2d 914, 916 (C.A. 2d Cir. 1952). The judgment below did both and in so doing gave Stiffel the equivalent of a patent monopoly on its unpatented lamp. That was error, and Sears is entitled to a judgment in its favor."

2.10 The other case dealing with the Illinois law of unfair competition decided by the Supreme Court on the same day, March 9, 1964, was *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234. Compco had copied a fluorescent light fixture made and sold by Day-Brite. This fixture contained a reflector having cross-ribs which Day-Brite claimed gave both strength and attractiveness to the fixture. As in the *Sears* case, Day-Brite sought relief on the grounds both of patent infringement and unfair competition. Day-Brite had procured a designed patent on the fixture which the trial court held to be invalid.

The federal district court adjudged Compco guilty of unfair competition under Illinois law in the sale of its fixtures which the Supreme Court found to be "the same, to the eye of the ordinary observer, as the overall appearance of Day-Brite's reflector, which embodied the design of the invalidated patents." The trial court ordered an accounting for damages and entered a permanent injunction.

The Court of Appeals for the Seventh Circuit affirmed the district court's finding of unfair competition on the ground that there was substantial evidence in the record to support the finding of likelihood of confusion and that this finding was sufficient under Illinois law to support the finding of unfair competition.

Reversing both courts below, the Supreme Court of the United States unanimously held, per Mr. Justice Black (376 U.S. at p. 235):

> "As in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, the question here is whether the use of state unfair competition law to give relief against copying of an unpatented industrial design conflicts with the federal patent laws."

2.11 After discussing the evidence, the opinion of the court stated (pp. 237-238):

> "Notwithstanding the thinness of the evidence to support findings of likely and actual confusion among purchasers, we do not find it necessary in this case to determine whether there is 'clear error' in these findings. They, like those in *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* were based wholly on the fact that selling an article which is an exact copy of another unpatented article is likely to produce and did in this case produce confusion as to the source of the article. Even accepting the findings, we hold that the order for an accounting for damages and the injunction are in conflict with the federal patent laws. Today we have held in *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* that when an article is unprotected by a patent or a copyright, state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Art. I, §8, cl. 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and

copyright laws leave in the public domain. Here Day-Brite's fixture had been held not to be entitled to a design or mechanical patent. Under the federal pat-[238]ent laws it is, therefore, in the public domain and can be copied in every detail by whoever pleases."

The decree in the present case enjoins the copying of plaintiff's unpatented electric flashers which concededly are in the public domain (Abst. 131, 345-346; Appellate Court opinion, Appendix, p. 2). The decree reserves the right to assess damages against the defendants (Abst. 31). The decree is affirmed by the Appellate Court on the basis of the Illinois law of unfair competition (Appendix, pp. 3, 9). The Supreme Court of the United States has decided that no State may rely upon such law to punish in damages or prohibit the copying of an unpatented article. This Court should therefore grant leave to appeal and reverse the decree of the trial court *in toto*.

2.12 The Appellate Court Ruling Violates the Basic Right Guaranteed to Free Men to Pursue the Occupation of Their Own Choosing.

The Appellate Court erred in affirming a decree of the trial court which enjoins the individual defendants from pursuing their chosen occupation by perpetually enjoining these defendants from lawfully producing and selling an unpatented product which is widely used and distributed throughout the county. The effect of this decision is that it destroys the defendants' freedom to work and tends to reduce them to a condition of industrial servitude and it deprives these defendants of the right to engage in a business that is open to all other citizens of this country.

2.13 Here the injunction is so broad that its effect is to bar defendants engaging in the flasher business open to all persons, no matter how innocent and blameless their future action may be.

The injunction entered by the Trial Court is not limited to prevent the improper use of plaintiff's blueprints or alleged confidential information but is so broad and all-inclusive that it permanently (for the lifetime of the defendants) bars them from selling or manufacturing a flasher or timer similar to the plain-
2.14 tiff's unpatented flasher. The defendants are even permanently enjoined from selling or making any of the unpatented component parts of an unpatented flasher similar to the plaintiff's even though many of such parts are standard catalog items sold by suppliers. Moreover, the defendants are enjoined from selling or manufacturing flashers or timers using the same principle of operation as plaintiff's flashers.

Bearing in mind that there are several flasher manufacturers selling flashers in the United States market, all of which flashers operate on the same basic principle, fit the same sign brackets and, in fact, must necessarily be similar to even be saleable, it becomes obvious that the injunction, in effect, excludes the defendants from the flasher business for life. They not only can never build and sell their own flasher but can never again even act as salesmen for other flasher companies already established in the flasher business. They cannot become salesmen or manufacturers of parts for others in the flasher business if any of the parts are similar to parts used in plaintiff's flasher (as they must be to be saleable).

Under the provisions of the decree the defendants cannot even have a new flasher designed and built for them by independent engineers who have never known or had any contact with plaintiff's business. As flashers similar to plaintiff's flasher are an extremely simple, unpatented mechanical device, the effect of the injunction is to prohibit forever the defendants from engaging in lawful activities freely available to all of the other one hundred ninety million people in the United States. In other words, the injunction is so broad that no matter how legal, ethical and blameless their future conduct might be, they would be in violation of the broad provisions of this
2.15 injunction and subject to harassment and penalties at the instance of the plaintiffs, their competitors.

2.21 The Appellate Court erred here in affirming the decree which enjoins the individual defendants from pursuing their chosen occupation inasmuch as the decree has the effect of perpetually enjoining these defendants from lawfully producing and selling a product which is widely used throughout the country. The effect of this decision is to destroy the defendants' freedom to follow a lawful occupation and affects not only the individual defendants here involved but, if this decision is applied in the future to other em-
2.22 ployees, it would have a profound effect upon the entire economy of our State. If it is not reversed, all persons hereafter will be fearful of leaving their present employment because of the possibility that they would be forever enjoined from thereafter engaging in the same business. If this decision stands no lawyer will be safe in advising an employee that he may safely compete with his employer if he wishes to produce a similar product, for no one can erase com-

pletely from his mind the sort of information which the courts below have held to be trade secrets. A more serious threat of monopoly can hardly be imagined.

If employees of all well-run, profitable companies are prohibited from going into a competing business unless they can erase from their memories all plans and blueprints used therein there can be no element of free enterprise in our economy. The judgment of the Appellate Court is a serious threat to individual freedom to compete and should be reversed.

2.43 The decree below is wrong because it grants a monopoly on an unpatented article in violation of the federal constitution and patent laws enacted pursuant thereto, because it reduces the defendants to virtual industrial servitude, and because it is based on a com-
2.44 pletely erroneous finding that the plaintiff's plans and blueprints alleged to have been remembered or copied by defendants were trade secrets.

12 On January 15, 1965, Oral Argument for the defendants-petitioners and plaintiffs-respondents was made.

13 On March 18, 1965, the following opinion of the Supreme Court of Illinois was filed.

Docket No. 38849—Agenda 19—January, 1965

14 Edward J. Schulenburg, *et al.*, Appellees, v. Signatrol, Inc., *et al.*, Appellants.

Mr. Justice Solfisburg delivered the opinion of the court:

This case involves the questions of trade secrets, unfair competition and injunctive relief. Plaintiff E-S Industries, Inc., successor to Time-O-Matic, manufactured and sold certain devices commonly called flashers and used primarily in the sign industry to cause lights to flash in such a manner as to animate the sign in various patterns or designs. The individual defendants were all former employees of said plaintiff who left to form their own competing company to manufacture and sell flashers. Plaintiffs filed suit against the defendants charging unfair competition by violation of a trade secret and requesting injunctive relief and damages. The trial court found the issues for the plaintiffs and issued an injunction restraining the defendants from the further manufacture and sale of competing flashers. The question of damages was postponed pending appeal. The Appellate Court affirmed (50 Ill. App. 2d 402), and we granted leave to appeal.

In 1932 the plaintiff Edward J. Schulenburg, Sr., went to work for Sangamo Electric Company at Springfield, Illinois, as head of its flasher and timer division and held that position until 1945 when he purchased all of the assets of the flasher and timer division for the sum of $2,718.61. He moved the operation to Danville, Illinois, under the name of Time-O-Matic Company. Defendant J. W. Sutphin had been an employee of Sangamo and when he returned from military service in 1945 he was employed by Time-O-Matic. Sutphin continued in the employ of Time-O-Matic to January, 1959 when he and the plaintiff Schulenburg had a disagreement of policy concerning the operation of the company and he resigned. Signatrol, Inc. was organized by defendant Sutphin in March, 1959, to manufacture and sell flashers.

The defendant Bachman had been employed by Time-O-Matic since 1947, designing special equipment and assisting in sales work. Bachman left Time-O-Matic in the middle of March, 1959, after a disagreement with Schulenburg and joined the new corporation with Sutphin. The defendants McNamara and Walker had also been employees of Time-O-Matic for several years, McNamara as purchasing agent and Walker in the engineering department. Both of them asked Sutphin whether they could join his organization and in April, 1959, McNamara left Time-O-Matic and joined Signatrol as its purchasing agent and the following June, Walker also joined Signatrol.

The flashers produced by the plaintiffs are not patented nor is there any contention that the flasher itself or the method of assembling the flasher is a trade secret. Indeed, neither the plaintiffs nor defendants are true manufacturers but actually buy the motors, gears, side plates, switches and other parts which they assemble. Many of these parts are regular catalogue items furnished by suppliers and can be ordered by anyone. For that matter, anyone may legally duplicate the plaintiffs' product and go into business in competition with the plaintiffs in the manufacture and sale of electric flashers. The Supreme Court of the United States has held that no State may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright. *Sears, Roebuck & Co.* v. *Stiffel,* 376 U.S. 225, 11 L. ed. 2d 661; *Compco Corp.* v. *Day-Brite Lighting,* 376 U.S. 234, 11 L. ed. 2d 669.

Plaintiffs allege, however, that their manufacturing "know-how" is a trade secret which was imparted in confidence to defendants while employees and that such secret has been used by them in manufacturing a competing product. Defendants deny utilization by them of any such secret, in fact they deny its very existence. The trial and Appellate courts held that the information, measurements, designs and material specifications contained on plaintiffs' blueprints or drawings and used in the manufacturing process qualified as a trade secret. They further found that defendants copied or memorized the information contained on these blueprints and drew on such knowledge in making up their own blueprints to be used in the manufacture of their product.

The three issues presented by this appeal are (1) Was there a trade secret? (2) Did the defendants violate a trade secret? and (3) Was the injunctive relief appropriate?

The trial and Appellate courts concluded that the manufacturing "know-how" contained on the plaintiffs' blueprints or drawings were trade secrets in view of the fact that they were kept confidential and that plaintiffs considered such as a secret and attempted reasonably to keep it so. In this connection, it must be pointed out that the blueprints were customarily submitted to several suppliers by the plaintiffs in order to secure the most favorable bids for the manufacture of parts; no effort was made by the company to keep the information on such plans and blueprints secret; the suppliers were never advised that the plans contained any secret information; they were never requested to keep the information on the plans secret; and the plaintiffs never requested a return of

the blueprints and plans from suppliers to whom they were sent. The electrical principle involved is well known and plaintiffs' unpatentable product is for sale and anyone can buy it. Anyone reasonably skilled in the art, could, without difficulty, duplicate plaintiffs' flasher from an examination of the flasher itself and lawfully engage in a competing business.

In order to constitute a trade secret which will be protected by injunction there must be a plan, process, tool, machine or compound known only to the owner and those employees to whom it is necessary to confide in secret. Therefore, a process commonly known in the trade is not a trade secret entitled to injunctive protection, and matters which are generally known in the trade or readily discernible by those in the trade cannot be made secret by being so labeled. (*Victor Chemical Works* v. *Iliff*, 299 Ill. 532; *Sarkes Tarzain, Inc.* v. *Audio Devices, Inc.*, 166 F. Supp. 250, 265 (D. Cal. 1958), aff'd 283 F. 2d 695 (9th Cir. 1960), *cert.* denied 365 U.S. 869, 5 L. ed. 2d 859.) Here there is ample evidence in the record to show that the information conveyed to defendants was of such a nature that it was generally known in the trade. In addition, none of the employees were ever told that the plans were secret or confidential, no secrecy agreement was ever required of any employee and no employee was required to enter into any restrictive covenant not to engage in any competitive business with plaintiff.

The Restatement of Torts contains a comprehensive treatment of the principles concerning liability for disclosure or use of others' trade secrets. In section 757 of the Restatement of Torts under comment b it is stated as follows:

"*Definition of a trade secret.* A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.

* * *

"*Secrecy.* The subject matter of a trade secret must
17 be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret."

Defendants are accused of copying or memorizing necessary information and using it in their manufacturing process in competition with their former employers. The Appellate Court quoted, with approval, the memorandum opinion of the trial court which states: "By defendants' own statement they carried away from plaintiffs mental pictures of the plaintiffs' drawings, and specifications, and from that mental picture they reproduced it upon paper—an accurate copy of the original. It was no more or less than a copy made from the original. * * * The human eye is but a photographic lens, and the mind is the film. Through the lens the object is exposed to the sensitive film, the mind. * * * These mental pictures were obtained while in plaintiffs' employment, and to carry them away in this manner was a violation of a confidence reposed in them by their employer, as if they had made copies or photographs and carried them away."

The law is well settled that an employee, upon terminating his employment, may carry away and use the general skill or knowledge acquired during the course of the employment. "[E]quity has no power to compel

a man who changes employers to wipe clean the slate of his memory." (*American Cleaners and Dyers* v. *Foreman,* 252 Ill. App. 122; *Peerless Pattern Co.* v. *Pictorial Review Co.,* 147 App. Div. 715, 132 N.Y.S. 37, 39.) In *American Cleaners and Dyers* v. *Foreman,* 252 Ill. App. 122, the court reversed an injunction against defendants who were former route drivers for a laundry and dry cleaning firm who went to work for a competing laundry and solicited their old customers whose names and addresses they had remembered.

A 1958 federal case, *Sarkes Tarzain, Inc.* v. *Audio Devices,* 166 F. Supp. 250, contains an excellent statement of the information which an employee has the right to carry away and use in competition with his former employer:

"Of necessity, whenever a change of employment of this type occurs and former employees enter into the employ of another with whom they engage in a competitive business, it is inevitable that some of the knowledge acquired while in the employ of the other should be made available to the new employer. But, as already appears, the courts will not deprive the employee of the right to use the skill he developed
18 through the years.

* * *

"So there is agreement among the courts that, except, where real trade secrets are involved, an employee may compete with his former employer and with such knowledge and skill as he has developed in the former's employ."

The only permissible restriction affording injunctive relief in this case is the unlawful violation of a definite

trade secret. The plaintiff's blueprinted "know-how" does not qualify under the circumstances as a trade secret. Therefore the defendants could not have been guilty of unfair competition, for the plaintiff's claim of trade secret does not meet the qualifications of the law.

Since we have held that defendants are not guilty of wrongfully using a trade secret, we need not pass upon the scope of the injunction. However, we feel it fitting to note that the injunction granted is unlimited either as to time or geographic area. It amounts to a perpetual injunction from engaging in the electric flasher business and affords more relief than even a patent or restrictive covenant could have afforded under the law. Such an injunction even in an appropriate case would be far too broad.

For the reasons stated, the judgment of the Appellate Court is reversed, and the cause is remanded to the trial court, with directions to dismiss the complaint.

Reversed and Remanded, with directions.

18 Dissenting Opinion of Justice Underwood filed upon denial of Petition for Rehearing May 19, 1965 (Justice Schaefer joins in the dissent).

MR. JUSTICE UNDERWOOD, dissenting:

That the dimensions, tolerances, positions and relationships, metallurgical qualities and other specifications of plaintiffs' products contained in various blueprints, plans and drawings do not constitute trade secrets and are not entitled to protection as such is a holding with which I cannot agree.

The controlling definition of a trade secret in Illinois is supplied by *Victor Chemical Works* v. *Iliff*, 299 Ill. 532, 540, where this court said that it is "[A] secret *plan* or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it." (Emphasis added.) The initial requirement that the plan, too, *etc.*, be regarded as a secret has been found to exist by both the trial and appellate courts herein. There is ample evidence in the record to support these findings, and they should not be disturbed here. Hence, the only question presented to this court is whether, notwithstanding the
19 fact that the parties treated the information contained in the blueprints as containing confidential material, it nevertheless does not amount to a trade secret.

In *Smith* v. *Dravo Corp.*, 203 F. 2d 369, 7th Cir. 1953, decided under the law of Pennsylvania and relied upon by both the trial and appellate courts herein, it was held that information contained in blueprints and patterns did qualify as a trade secret, even though the finished product was on the market (and could, as plaintiffs concede here, be copied by legal means), and literature had been distributed to the industry partially disclosing the product's design. The reasoning of that opinion is, in my judgment, most persuasive here.

The majority cite *Sears, Roebuck & Co.* v. *Stiffel*, 376 U.S. 225, 11 L. ed. 2d 661, 84 S. Ct. 784, and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, 11 L. ed. 2d 669, 84 S. Ct. 779, for the proposition "that no state may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright." In a proper case, I would

have no trouble with this statement. However, reading of *Sears* and *Compco* clearly indicates that they are inapposite here. There, the defendants had copied the plaintiffs' unpatentable products by legal means. No problem concerning trade secrets was present. Plaintiffs here readily concede that their finished products may be copied by legal means, (such as acquiring one of the finished products and measuring and analyzing it, until a copy can be produced), but maintain that employees in positions of confidence may not surreptitiously copy plaintiffs' blueprints while in their employ and subsequently use them to establish a competing business. *Sears* has in fact been distinguished on this very basis, in *Servo Corporation of America* v. *General Electric Co.* (4th Cir., 1964), 337 F.2d 716. It was there held that one could not take advantage of a confidential relationship and pirate another's trade secrets without responding in damages—even though the finished product was unpatentable and could be copied by legal means.

A holding that the confidential information contained in these blueprints does not constitute a trade secret is, I believe, incompatible with the practical problems inherent in attempting to copy a product from examination of the product itself. The measurements, tolerances, quality of material, *etc.*, cannot ordinarily be discovered by these means without expensive and time-consuming analyses. Plaintiffs have gone through this process by trial and error and have preserved the information thus acquired in working drawings and blueprints. Defendants, however, have chosen to capitalize upon their positions of trust—to clandestinely acquire the blueprints and reproduce them exactly.

(There is evidence in the record indicating that when some of defendant's drawings are superimposed over plaintiffs' corresponding one, they match exactly—even to the positioning of the lettering thereon. Better evidence of copying would be hard to obtain. In fact, defendants have even copied some of plaintiffs' mistakes.)

It is clear that an employee may take with him, at the termination of his employment, general skills and knowledge acquired during his tenure with the former employer. It is equally clear that the same employee may not take with him confidential particularized plans or processes developed by his employer and disclosed to him while the employer-employee relationship exists, which are unknown to others in the industry and which give the employer advantage over his competitors. The facts and circumstances in a particular case sometimes necessitate the drawing of a fine line of distinction in determining which rule should properly apply. Suffice it to say here that, in my judgment, the facts and circumstances indicated herein fall well within the contemplation of the latter rule.

It should, moreover, make no difference whether the information contained in the blueprints, if it qualifies as a trade secret (which in my judgment it does), has been pilfered by tracing the blueprints themselves (as some testimony herein indicates or has been memorized by someone with a photographic memory, or has been committed to memory by constant exposure to the prints while in the employ of plaintiffs. This record is replete with evidence leading to but one conclusion, *i.e.*, that these defendants have surreptitiously taken the particularized information contained in

plaintiff's blueprints and have employed it to establish a competing business. Even today's "morals of the market place" are more demanding than this, and should not be relaxed by this court, I would affirm the judgments of the trial and appellate courts on the trade secret question.

The bothersome aspect of the trial and appellate court decisions is the scope of the injunction that has been issued. It does not restrict its application as to time or geographical area. Defendants have, in
21 effect, been put out of business for all time, everywhere. This is clearly not necessary to make plaintiffs whole as it is conceded by them that their products may legally be copied by competitors. Since defendants might have reproduced plaintiffs' flasher in this fashion, it is difficult to justify prohibition of such reproduction for a period of time longer than that required to duplicate the product by lawful means. The record contains no indication of the time so required, but such fact should be readily ascertainable since a Minnesota firm did legally copy plaintiffs' product. I would accordingly deem it appropriate to modify the injunction so as to limit its duration to the period of time reasonably required for plaintiffs to legally produce such copies, and remand the cause for a determination thereof, as well as the question of damages reserved by the trial court for future consideration. If the evidence established that the period of time required for reproduction of the flasher by lawful means, computed from the date defendants first commenced production, has now expired, the injunction order should be vacated.

I would, therefore, affirm the trial and appellate courts' determinations on the trade secret issue and remand for a consideration of the questions as to damages and modification of the injunction.

22-28 On April 1, 1965, there was filed in the Illinois Supreme Court a motion of Illinois Manufacturer's Association for leave to file a brief as *amicus curiae* with regard to the plaintiffs-respondents' petition for rehearing and an order entered by Mr. Justice Walter V. Schaefer granting Illinois Manufacturers' Association leave to file its brief as *amicus curiae.*

29-30 On April 1, 1965 the brief of the Illinois Manufacturers' Association as *amicus curiae* was filed in the Illinois Supreme Court.

31-32 On April 2, 1965 the petition for rehearing of the plaintiffs-respondents was filed in the Illinois Supreme Court.

33 On May 19, 1965 the Illinois Supreme Court denied the plaintiffs-respondents' petition for rehearing in this cause.

34 On May 20, 1965 the Illinois Supreme Court on its own motion vacated the order denying the plaintiffs-respondents' petition for rehearing and allowed the petition for rehearing.

35-36 On June 4, 1965 defendants-petitioners filed with the Illinois Supreme Court an answer to plaintiffs-respondents' petition for rehearing.

37-38 On June 9, 1965 plaintiffs-respondents filed in the Illinois Supreme Court a reply to the defendants-petitioners' answer.

39 On September 28, 1965 the Illinois Supreme Court filed the following opinion:

40 Docket No. 38849—Agenda 28—May, 1965.

Edward J. Schulenburg *et al.*, Appellees, v. Signatrol, Inc., *et al.*, Appellants.

Mr. JUSTICE SOLFISBURG delivered the opinion of the court:

This case involves the questions of trade secrets, unfair competition and injunctive relief. Plaintiff E-S Industries, Inc., successor to Time-O-Matic, manufactured and sold certain devices commonly called flashers and used primarily in the sign industry to cause lights to flash in such a manner as to animate the sign in various patterns or designs. The individual defendants were all former employees of said plaintiff who left to form their own competing company to manufacture and sell flashers. Plaintiffs filed suit against the defendants charging unfair competition by violation of a trade secret and requesting injunctive relief and damages. The trial court found the issues for the plaintiffs and issued an injunction restraining the defendants from the further manufacture and sale of competing flashers. The question of damages was postponed pending appeal. The appellate court affirmed (50 Ill. App. 2d 402), and we granted leave to appeal.

In 1932 the plaintiff Edward J. Schulenburg, Sr., went to work for Sangamo Electric Company at Springfield, Illinois, as head of its flasher and timer division and held that position until 1945 when he purchased all of the assets of the flasher and timer division for the sum of $2,718.61. However, this amount

is unimportant for since that time many blueprints, plans, specifications and drawings have been revised or added over the years by the plaintiff to perfect the flasher. In fact, there now are approximately 15,000 drawings of various types. He moved the operation to Danville, Illinois, under the name of Time-O-Matic Company. Defendant J. W. Sutphin had been an employee of Sangamo and when he returned from military service in 1945 he was employed by Time-O-Matic until January, 1959, when he and the plaintiff Schulenburg had a disagreement of policy concerning the operation of the company and he resigned. Signatrol, Inc. was organized by defendant Sutphin in March, 1959, to manufacture and sell flashers.

The defendant Bachman had been employed by Time-O-Matic since 1947, designing special equipment and assisting in sales work. Bachman left Time-O-Matic in the middle of March, 1959, after a disagreement with
41 Schulenburg and joined the new corporation with Sutphin. The defendants McNamara and Walker had also been employees of Time-O-Matic for several years, McNamara as purchasing agent and Walker in the engineering department. Both of them asked Sutphin whether they could join his organization and in April, 1959, McNamara left Time-O-Matic and joined Signatrol as its purchasing agent and the following June, Walker also joined Signatrol.

The flashers produced by the plaintiffs are not patented nor is there any contention that the flasher itself or the method of assembling the flasher is a trade secret. Indeed, neither the plaintiffs nor defendants are true manufacturers, but actually buy the motors, gears, side plates, switches and other parts which they assemble. Many of these parts are regular catalogue

items furnished by suppliers and can be ordered by anyone. For that matter, anyone may legally duplicate the plaintiffs' product and go into business in competition with the plaintiffs in the manufacture and sale of electric flashers.

Plaintiffs allege, however, that their manufacturing "know-how" is a trade secret which was imparted in confidence to defendants while employees and that such secret has been used by them in manufacturing a competing product. Defendants deny utilization by them of any such secret, in fact they deny its very existence. The trial and appellate courts held that the information, measurements, designs and material specifications contained on plaintiffs' blueprints or drawings and used in the manufacturing process qualified as a trade secret. They further found that defendants copied or memorized the information contained on these blueprints and drew on such knowledge in making up their own blueprints to be used in the manufacture of their product.

The trial judge in his memorandum opinion stated the issues involved in the following language:

"Signatrol, Inc. was organized by the foregoing defendants in March 1959, and by the latter part of June, 1959, were (sic) engaged in the production of electric flashers. Their product was to serve the same purpose as plaintiff's (sic) product, and was very similar to the product of the plaintiffs. However, similarity of products is not the controlling test which is determinative of the issues in this case, but is a factor to be considered. The question of infringement of patents is not involved. The real question is whether or not the individual defendants, or some of them,

either traced, copied or reproduced Time-O-Matic plans, drawings, prints, designs, or carried away in their minds information as to the same so that they could reproduce them from their memory, provided further that such information was such as would be classed as a 'trade secret'." The determinative question here is, how did the defendants go about reproducing the plaintiffs' flasher? Did they violate the confidence reposed by their employer by appropriating, in an unlawful manner, the trade secrets of the plaintiffs?

The trial judge has correctly stated the issues involved, and, of course, there is another issue in this appeal, and that is whether the injunctive relief granted was appropriate.

The trial and the appellate courts concluded that the manufacturing "know-how" contained in the plaintiffs' blueprints and drawings were trade secrets in view of the fact that they were kept confidential and that plaintiffs considered such as secret and attempted reasonably to keep it so. The memorandum opinion of the trial judge is forty pages in length, contains a detailed analysis of the evidence, makes certain findings hereinafter mentioned, and contains a very competent analysis of most of the cases in the United States concerning trade secrets and the method whereby the use of such trade secrets is acquired either legally or illegally. The abstract of evidence is 240 pages in length, and it would unduly extend this opinion to review in detail all the evidence. Several of the more salient findings of the trial court are:

"The Defendants insist that they made their drawings directly from the parts themselves by measuring,

xcept when they drew them from their memory of Time-O-Matic's drawings. However, their expert witness, Dale Beck, a skilled engineer, looked with considerable askance (sic) upon the ability of any engineer to make accurate drawings of many of the delicate parts merely by measurements of the parts. This was particularly true as to those parts where the measurements were to a 10/1000 of an inch. And to come up with the identical measurement, tolerances, etc., as appear upon Time-O-Matic drawings were (sic) almost impossible."

"There is a marked similarity between the drawings and sketches of Signatrol and those of Time-O-Matic, in other respects. The data is too often too alike to be just accidental. The placement of the data on the drawing is almost universally the same."

43 "The likenesses and similarities occur so often, with such exactness, that it seems most unlikely that they should so occur, if, as claimed by defendants all their drawings were made from the torn down flasher parts, and without reference to any drawings or sketches or specifications of Time-O-Matic."

"It is to be observed that at no time did the Defendants seek to produce a new and improved flasher. They advanced no 'new novel' improvements. They only sought to reproduce the identical basic flasher of the Plaintiffs."

"From the character of the Defendants' own evidence, their admissions, the very nature of their procedure in entering into this competing business, their evasive attitude, one cannot but conclude that here was a carefully designed scheme and plan to reproduce from their employer's trade secrets, the product

of their employer. This conclusion is emphasized by Sutphin's testimony that he anticipated he would be sued. He had sought the advice of an attorney, then anticipating a suit he preserved a large number of his sketches. Why would he anticipate being sued, if he only intended to copy the product from the product itself, and did not intend to resort to the use of his employer's trade secrets?"

"After hearing all the evidence, and having observed the Defendants as witnesses, and their manner of testifying, this Court is convinced that this was a well planned scheme upon the part of the Defendants. This Court believes that the very nature of all the occurrences confirms the testimony of Mrs. Bachman relative to copying Plaintiffs' plans, drawings and specifications in Bachman's home. This Court also believes that, just as the defendants admit, they had over the years actually memorized Plaintiffs' plans and drawings, and the information upon them; that they actually had a mental picture of these trade secrets, was no different than having a copy or picture on paper. These mental pictures were obtained while in Plaintiffs' employment, and to carry them away in this manner was a violation of a confidence reposed in them by their employer, as if they had made copies or photographs and carried them away. This was not using the skill they had obtained, it was a question of copying and carrying away the actual trade secrets of Plaintiffs."

The trial judge also stated "it is of the very essence of things to see to it that the stringent and clamorous voice of self interest does not drown out the still, small voice of duty and conscience."

After having considered the entire record in the trial court, including the transcript of the evidence, and the trial judge's opinion, we have determined, as did the appellate court, that the evidence supported the findings of the trial court.

The controlling definition of a trade secret in Illinois is supplied by *Victor Chemical Works* v. *Iliff*, 299 Ill. 532,540, where this court said that it is a secret *plan* or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it. The initial requirement that the plan, tool, *etc.*, be regarded as a secret has been found to exist by both the trial and appellate courts herein. There is ample evidence in the record to support these findings, and they should not be disturbed here. The more difficult question presented to this court is whether notwithstanding the fact that the parties treated the information contained in the blueprints as containing confidential material, it nevertheless does not amount to a trade secret.

In *Smith* v. *Dravo Corp.* 203 F.2d 369, 7th cir. 1953, decided under the law of Pennsylvania and relied upon by both the trial and appellate courts herein, it was held that information contained in blueprints and patterns did qualify as a trade secret, even though the finished product was on the market (and could, as plaintiffs concede here, be copied by legal means), and literature had been distributed to the industry partially disclosing the product's design. The reasoning of that opinion is most persuasive here.

The defendants cite *Sears, Roebuck & Co.* v. *Stiffel*, 376 U.S. 225, 11 L. ed. 2d 661, 84 S. Ct. 784, and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, 11 L. ed.

2d 669, 84 S. Ct. 779, for the proposition "that no state may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright." In a proper case, we would concur with this statement. However, a reading of *Sears* and *Compco* clearly indicates that they are inapposite here. There, the defendants had copied the plaintiffs' unpatentable products by legal means. No problem concerning trade secrets was present. Plaintiffs here readily concede that their finished products may be copied by legal means (such as acquiring one of the finished products and measuring and analyzing it, until a copy can be produced), but maintain that employees in positions of confidence may not surreptitiously copy plaintiffs' blueprints while in their employ and subsequently use them to establish a competing business. *Sears* has in fact been distinguished on this very basis, in *Servo Corporation of America* v. *General Electric Co.* (4th cir., 1964,) 337 F. 2d 716. It was there held that one could not take advantage of a confidential relationship and pirate another's trade secrets without responding in damages—even though the finished product was unpatentable and could be copied by legal means. It is readily apparent that the *Sears* and *Compco* cases do not cover a situation of industrial espionage by employees who plan to organize a competing company and thereafter do that very thing.

A holding that the confidential information contained in the blueprints does not constitute a trade secret would be incompatible with the practical problems inherent in attempting to copy a product from examination of the product itself. The measurements, tol-

erances, quality of material, *etc.*, cannot ordinarily be discovered by these means without expensive and time-consuming analyses. Plaintiffs have gone through this process by trial and error and have preserved the information thus acquired in working drawings and blueprints. Defendants, however, have chosen to capitalize upon their positions of trust—to clandestinely acquire the blueprints and reproduce them exactly. There is evidence in the record indicating that when some of defendant's drawings are superimposed over plaintiffs' corresponding ones, they match exactly—even to the lettering thereon. Better evidence of copying would be hard to obtain. In fact, defendants have even copied some of plaintiffs' mistakes.

It is clear that an employee may take with him, at the termination of his employment, general skills and knowledge acquired during his tenure with the former employer. It is equally clear that the same employee may not take with him confidential particularized plans or processes developed by his employer and disclosed to him while the employer-employee relationship exists, which are unknown to others in the industry and which give the employer advantage over his competitors. The facts and circumstances in a particular case sometimes necessitate the drawing of a fine line of distinction in determining which rule should properly apply. Suffice it to say that the facts and circumstances indicated herein fall well within the contemplation of the latter rule.

It should, moreover, make no difference whether the
46 information contained in the blueprints, if it qualified as a trade secret (which in our judgment it does), has been pilfered by tracing the blueprints themselves, as some testimony herein indicates, or has been memo-

rized by someone with a photographic memory, or has been committed to memory by constant exposure to the prints while in the employ of plaintiffs. This record is replete with evidence leading to but one conclusion: that these defendants have surreptitiously taken the particularized information contained in plaintiffs' blueprints and have employed it to establish a competing business. Even today's "morals of the market place" are more demanding than this, and should not be relaxed by this court. The determinations of the trial and appellate courts on the trade secret question are affirmed.

The bothersome aspect of the trial and appellate court decisions is the scope of the injunction that has been issued. It does not restrict its application as to time or geographical area. Defendants have, in effect, been put out of business for all time, everywhere. This clearly is not necessary to make plaintiffs whole as it is conceded by them that their products may legally be copied by competitors. Since defendants might have reproduced plaintiffs' flasher in this fashion, it is difficult to justify prohibition of such reproduction for a period of time longer than that required to duplicate the product by lawful means. The record contains no indication of the time so required, but such fact should be readily ascertainable since a Minnesota firm apparently did legally copy plaintiffs' product. *[Accordingly, we believe that the injunc-

* The language contained in the brackets was on November 18, 1965 substituted for the following language contained in the opinion filed September 28, 1965: "Accordingly, we deem it appropriate to modify the injunction so as to limit its duration to the period of time reasonably required for defendants to legally produce

tion should have been limited in duration to the period of time reasonably required for defendants to legally produce such copies. Since the original injunction has been stayed pending the determination of this appeal, we believe that justice will be served upon remand by an order of the trial court ordering the enforcement of the original injunction pending a prompt determination of the period of time required for the reproduction of the flashers by lawful means. The injunction should then be modified to terminate upon the expiration of such time period.]

The trial and appellate court determinations on the trade secret issue are affirmed and the cause is remanded to the trial court with instructions to consider the question of damages and modification of the injunction in accordance with the views expressed herein.

Affirmed in part and reversed in part and remanded, with directions.

49-51 On October 2, 1965 a motion by the plaintiffs-respondents was filed in the Illinois Supreme Court for clarification of the opinion of the Supreme Court of Illinois.

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such copies, and remand the cause for a determination thereof, as well as to consider the question of damages reserved by the trial court for future consideration. If the evidence establishes that the period of time required for reproduction of the flasher by lawful means, computed from the date defendants first commenced production, has now expired, the injunction order should be vacated."

The changed language contained in the brackets was incorporated in the opinion after the plaintiffs filed on October 2, 1965 a motion for clarification of opinion and the defendants filed an answer to the motion for clarification of opinion. This change was made on the date the defendants' petition for rehearing was denied.

52-57 On October 13, 1965 an answer to the motion for clarification of the opinion was filed in the Illinois Supreme Court by the defendants-petitioners.

58-59 On October 13, 1965 the defendants-petitioners filed in the Illinois Supreme Court a petition for rehearing as follows:

59.*1 The defendants in the above entitled cause, who are appellants in this Court, respectfully petition the Court to grant a rehearing of this case for the following reasons:

59.2 1. The judgment of this Court violates the Constitution and statutes of the United States concerning patent monopolies.

References:

Appellants' Petition for Leave to Appeal, pp. 4-11;
Additional Brief of Appellants, pp. 8-14;
Appellants' Answer to Appellees' Petition for Rehearing, pp. 10-12.

The latest opinion of this Court, the one filed September 28, 1965, recognizes that under the Constitution and patent statutes of the United States "no state may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright" (*Sears, Roebuck & Co.* v. *Stiffel,* 376 U.S. 225; *Compco Corp.* v. *Day-Brite Lighting,* 376 U. S. 234) but the Court finds those cases to be inapposite here because they do not involve a question of trade secrets. It is true that in the cited cases the ground on which unfair competition

* The decimal refers to the internal pagination of the defendants-petitioners' petition for rehearing.

was based was a slavish imitation of unpatented articles resulting in confusion of source. Here the alleged ground of unfair competition is that the defendants violated trade secrets of the plaintiffs. The sweeping language of the Supreme Court of the United States makes no differentiation between the kind or gradation of "unfair competition" which a state is prohibited from using as a ground of disregard of the Constitution and statutes of the United States relating to patent monopolies. Both the trial court and the Appellate Court entered sweeping injunctions against the defendants on the ground that the defendants had been guilty of unfair competition. It is a little late to reclassify the alleged wrongs committed by the
59.3 defendants just in order to avoid the rights given to the defendants by the Constitution and patent laws of the United States freely to assemble and sell unpatented flashers and timers in competition with the plaintiffs.

This Court now relies upon *Servo Corporation of America* v. *General Electric Co.* (C.A. 4, 1964), 337 F.2d 716, which was first injected into the present case by the brief of the Illinois Manufacturers Association as indicating in the language of this Court's opinion "that the *Sears* and *Compco* cases do not cover a situation of industrial espionage by employees who plan to organize a competing company and thereafter do that very thing."

Servo Corp. did not involve in any respect a controversy between an employer and former employees, and the present case does not involve, notwithstanding the use of the loaded term in the brief of the Illinois Manufacturers Association, any "industrial espionage".

Plans which were freely shown to the defendants while they were in the employ of plaintiffs and which were widely disseminated in the trade simply cannot be the subject of "industrial espionage" and it is a play upon words—loaded words at that—to attempt to differentiate the *Sears* and *Compco* cases on any theory that industrial espionage is excluded from the sweep of those cases and that the defendants are guilty of industrial espionage here.

Since the only ground for refusing to apply the *Sears* and *Compco* cases to the present situation is the claim that the defendants have stolen trade secrets of the plaintiffs, we come back again to the proposition that drawings and specifications which were widely disseminated without any claim of secrecy cannot retroactively become trade secrets simply because an employer who has a virtual monopoly of an industry wishes to be freed of competition from former employees.

59.4 2. The drawings and specifications of the plaintiffs in the instant case were freely circulated among employees, bidders and customers of the plaintiffs without the imposition of any secrecy and this widespread publication prevents the drawings and specifications from being trade secrets.

References:

Appellants' Petition for Leave to Appeal, pp. 22-42;

Additional Brief of Appellants, pp. 20-31;

Appellants' Answer to Appellees' Petition for Rehearing, pp. 3-8.

In the then-unanimous opinion of this Court filed March 18, 1965, which was prior to the receipt by this Court of the inflammatory and uninhibited brief of the Illinois Manufacturers Association, this Court correctly stated (pp. 2-3):

> "The trial and Appellate courts concluded that the manufacturing 'know-how' contained on the plaintiffs' blueprints or drawings were trade secrets in view of the fact that they were kept confidential and that plaintiffs considered such as a secret and attempted reasonably to keep it so. In this connection, it must be pointed out that the blueprints were customarily submitted to several suppliers by the plaintiffs in order to secure the most favorable bids for the manufacture of parts; no effort was made by the company to keep the information on such plans and blueprints secret; the suppliers were never advised that the plans contained any secret information; they were never requested to keep the information on the plans secret; and the plaintiffs never requested a return of the blueprints and plans from suppliers to whom they were sent. The electrical principle involved is well known and plaintiffs' unpatentable product is for sale and anyone can buy it. Anyone reasonably skilled in the art, could, without difficulty, duplicate plaintiffs' flasher from an examination of the flasher itself and lawfully engage in a competing business.
>
> 59.5 "In order to constitute a trade secret which will be protected by injunction there must be a plan, process, tool, machine or compound known only to the owner and those employees to whom it is necessary to confide in secret. Therefore, a process commonly known in the trade is not a trade secret entitled to injunctive protection, and matters which are generally known in the trade or readily discernible by those in the trade cannot

be made secret by being so labeled. (*Victor Chemical Works* v. *Iliff*, 299 Ill. 532; *Sarkes Tarzain, Inc.* v. *Audio Devices, Inc.*, 166 F. Supp. 250, 265 (D. Cal. 1958), aff'd 283 F.2d 695 (9th cir. 1960), *cert. denied* 365 U.S. 869, 5 L. ed. 2d 859.) Here there is ample evidence in the record to show that information conveyed to defendants was of such a nature that it was generally known in the trade. In addition, none of the employees were ever told that the plans were secret or confidential, no secrecy agreement was ever required of any employee and no employee was required to enter into any restrictive covenant not to engage in any competitive business with plaintiff."

Further, on pages 3 and 4 of that opinion, the Court quoted from The Restatement of Torts the following:

> "*Secrecy.* The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret."

The facts in this record and the law have not been changed since that opinion was filed and it is obvious that in the intervening period the Court has inadvertently overlooked the undisputed evidence in the record supporting the quoted portion of the Court's original opinion. We therefore repeat a summary of evidence on this point which will be found on pages 5 and 6 of our Answer to Appellees' Petition for Rehearing, which has apparently been overlooked by the Court:

59.6 Plaintiff Schulenburg, Sr. bought the assets of the Sangamo Electric Company's flasher and timer division, including all drawings, for the sum of $2,718.61

(Plaintiffs' Ex. 11, R. 1157). There is no evidence that at that time the Sangamo drawings were secret.

Defendant Sutphin was in the employ of Sangamo Electric Co. from 1936 until he went into military service in World War II (Abst. 52) and was thoroughly familiar with all of the drawings and blueprints making up the component parts of the flashers manufactured by Time-O-Matic prior to his entering Time-O Matic's employ (Abst. 54). He did not lose this prior knowledge or the right to use it by thereafter entering into plaintiffs' (Time-O-Matic's) employ.

None of the plaintiffs' employees was ever notified orally or in writing that the drawings and blueprints were secret (Abst. 168).

Plaintiffs did not have any written agreements with any employees as to secrecy (Abst. 132, 168).

The plans of the various parts were not kept under lock and key and the plans and blueprints were available to all employees in the plant (Abst. 93, 132, 168, 286).

Any employee could go up and go through the drawing drawers without being questioned, some of the drawings would be left out on the benches overnight, and there was no method of controlling the drawings such as an accurate inventory accounting of the drawings (Abst. 166-167, 286).

Drawings of parts were submitted to manufacturers for bids on supplying the parts without any request that the drawings be returned, so there may be drawings scattered around the country which have not been returned or thrown away (Abst. 56, 93, 131-132, 286, 292).

59.7 Each prospective supplier of parts received a print of the part that he was to bid on (Abst. 286). The letter forwarding these prints said nothing about secrecy of the plans or prints sent along with the request for price quotations (Abst. 286-287).

The plaintiffs in the Answer to the Petition for Leave to Appeal admitted the accuracy of the above statements as follows (p. 5):

> "As T.O.M. would order a part from a supplier the drawing or blueprint for that particular part containing the necessary information relative to shape, design, dimensions, and metallurgical specifications of that particular part would be sent to the supplier for use in the production of that part".

Similar admissions that plaintiffs' blueprints were circulated in the trade to suppliers and prospective suppliers will be found on pages 6, 20, and 27 of the Plaintiffs' Answer to Petition for Leave to Appeal.

Although Plaintiff E. J. Schulenberg, Sr. first testified that no complete set of drawings was sent out of the plant (Abst. 93-94), it was later proven without dispute, and admitted by Schulenburg, that a complete set of sepia drawings, a type that could be used to make a large number of copies, of a model 3 timer, Style 361-S1, had been sent to Martin-Marietta Company in Colorado which was neither an employee nor a supplier for the plaintiffs (Abst. 280-281, 299-301).

The above undisputed facts shatter the theory that the plaintiffs' drawings and blueprints were *secret*. Therefore, they were not *trade secrets*.

We ask the Court to consider the above facts, which we again call to the Court's attention.

59.8 3. The opinion and judgment violate the constitutional freedoms of the defendants, encourage monopoly, and produce intolerable confusion as to the rights of employees to compete with former employers.

References:

Appellants' Petition for Leave to Appeal, pp. 12-22;

Additional Brief of Appellants, pp. 14-20;

Appellants' Answer to Appellees' Petition for Rehearing, pp. 8.9.

The contents of this Court's opinion indicate that in reversing the original opinion filed on March 18, 1965, this Court has been moved too strongly by the inflammatory arguments* contained in the brief of the Illinois Manufacturers Association.

On May 19, 1965, the Court denied the plaintiffs' Petition for Rehearing, but on the same date the dissenting opinion of Mr. Justice Underwood was filed adopting in the main the arguments made by the Illinois Manufacturers Association to which at that date

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* Among the terms used by the Illinois Manufacturers Association in its brief to describe the defendants: "fraudulently", "surreptitiously", "bad faith", "secrecy", "connivance", "fraud", "breach of good faith", "stealth", "espionage", "piracy", "predatory practices", and "industrial espionage and piracy". Any conduct which could possibly justify the above characterization cannot possibly be the same conduct referred to in this Court's original opinion which we have quoted above. The facts in this record have not changed since that opinion was filed.

the defendants had had no opportunity to reply. Within 24 hours after the denial of the Petition for Rehearing the Court on its own motion vacated the order of denial and granted the Petition for Rehearing.

59.9 In adopting the arguments made by the Illinois Manufacturers Association in the latest opinion the Court has overlooked the fact that while the Association denominates itself a "friend of the Court" it actually is a friend of the employer who has a vested interest in preventing competition from employees and former employees. It is even more accurate to say that the members of the Association are not simply friends of employers—they are employers.

After being soundly and properly defeated by the opinion of this Court filed on March 18, 1965, Plaintiff Schulenburg, who is a member of the Illinois Manufacturers Association, obviously scurried around to get help from the Association which resulted in its filing—even before the plaintiffs' petition for rehearing was filed—a brief amicus curiae in support of the petition for rehearing filed thereafter. The unfairness of permitting this tardy brief to be filed (over our strenuous objection) is highlighted by the fact that the oral argument in this case occurred in January, 1965, and no opportunity was given on the oral argument to meet the new matters later injected into this case by the Illinois Manufacturers Association. The Association, not being a party to the case, obviously was not inhibited by all the facts appearing of record from making an inflammatory and distorted argument which, unfortunately, has induced this Court to reverse a well-considered and temperate opinion.

The distortion in the Association's brief is so great that we feel it essential to particularize the points where the brief goes farthest afield. We therefore point out the following specific areas of error in the brief:

1. The record will not support a finding that Sutphin and others left Time-O-Matic for the purpose of
59.10 organizing a competing company. On the contrary, the evidence was clear that the plaintiff Schulenburg was not liked by the defendants and they left his employment only because of personal differences with him and with his policy of running the plant [Abst., pp. 230, 285, 297, 307].

2. They made no mention of the fact that the plaintiffs' plans and drawings were circulated on a nationwide basis without restriction of any kind.

3. The brief assumes that the plaintiffs' plans and drawings contained secret information and there is no reference whatsoever as to any reason why the information should be classified as a legally protectible trade secret.

4. They ignore the overall effect of the evidence but attempt only to pinpoint the much-controverted testimony of the disgruntled ex-wife of the defendant Bachman.

5. The brief attempts to convince this Court that the defendants' plans and drawings were exact copies of the plaintiffs' plans, but an examination of the exhibits will clearly show otherwise.

The present opinion and judgment of this Court violates the public policy of this State in promoting monopoly, in infringing upon the human and consti-

tutional freedom of employees who are now required by the opinion of this Court to erase their memories of widely circulated drawings, and in violating the Constitution and statutes of the United States in respect of patent monopolies. Such an opinion ought not to be permitted to stand, and we respectfully request the Court to re-examine the record and find, as it originally did on the identical evidence now before it, that the plaintiffs had no trade secrets in drawings and specifications which were known throughout the industry, and that the defendants were entirely within
59.11 their rights in using such knowledge to buy assembly parts for unpatented flashers.

Since in this case the Court has been willing to act on its own motion, we respectfully request that our Petition for Rehearing should be granted and that on the Court's own motion the case should be reset for oral argument.

60 On November 18, 1965 the Illinois Supreme Court ordered that the plaintiffs-respondents' motion for clarification is disposed of by the action taken by the court on the petition for rehearing. [See the footnote on page 42 for an explanation of the "clarification" made.]

61 On November 18, 1965 the Illinois Supreme Court denied the defendants-petitioners' petition for rehearing.

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No. 1016

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

SIGNATROL, INC., a corporation, JOHN W. SUTPHIN, WILLARD E. BACHMAN, JOSEPH E. McNAMARA and WENDELL R. WALKER,

Petitioners,

vs.

EDWARD J. SCHULENBURG, EDWARD J. SCHULENBURG, JR., HELEN E. SCHULENBURG and MARIE E. POTTEBAUM, Co-partners doing business as TIME-O-MATIC COMPANY, TIME-O-MATIC, INC., a Corporation, and E-S INDUSTRIES, INC.,

Respondents.

BRIEF OF EDWARD J. SCHULENBURG ET AL., RESPONDENTS, IN OPPOSITION TO THE PETITION FOR A WRIT OF CERTIORARI

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The respondents oppose the Petition for a Writ of Certiorari, file this brief in support of their opposition and pray that the petition for a Writ of Certiorari filed herein be denied.

Jurisdiction.

It is quite evident that under the first clause of Section 1257(3) the Court has no jurisdiction to issue a Writ of Certiorari for the reason that the decree sought to be reviewed does not involve the validity of a treaty or statute of the United States.

The jurisdiction of the Court, if any, therefore must be found in the second clause. Petitioners do attempt to set up a right, privilege or immunity under the Constitution. Their claim is that as employees they have the right and privilege to copy trade secrets and use those trade secrets with complete immunity, in competing with their employer. Respondents say that as employees they have no such right, privilege or immunity and that, therefore, no constitutional question is involved.

In this connection the Court should also note that the judgment of the Supreme Court of Illinois rests on adequate state grounds and, therefore, the Court should apply the rule laid down in *Black* v. *Cutter Laboratories* (Cal. 1956) 351 U.S. 292, 298, rehearing denied 352 U.S. 859.

> " . . . we should not pass on federal questions discussed in the opinion where it appears that the judgment rests on adequate state grounds."

STATEMENT.

1. The questions presented are not truly stated in the Petition for Certiorari (pp. 3-4), and must be re-stated. Before re-stating them, however, we find it necessary to clarify the facts and then we shall re-state the questions.

As a preface to the questions presented, in paragraph 1, at the top of page 3 of the Petition, petitioners make a serious misrepresentation of the record when they say:

> "On the theory that widely-circulated drawings and blueprints describing the parts of a simple, unpatented electrical device were trade secrets, *contrary to the undisputed evidence in this record,* the Illinois Supreme Court in this case has made a serious inroad into the Federally-protected right of copying any unpatented article * * *." (emphasis added.)

In view of what the petitioners and their witnesses said on the witness stand the foregoing is a most astounding statement. Let us see what the record says:

> Petitioner Sutphin, who is also the president of petitioner Signatrol, Inc., said that the Time-O-Matic drawings were available for inspection only to employees of Time-O-Matic or to suppliers or prospective suppliers of parts to Time-O-Matic (R. 177, Ab. 56).
>
> Petitioner McNamara said that nobody had a right to those plans and specifications and blueprints unless they had business with Time-O-Matic Company in one status or another (R. 1003, Ab. 292).
>
> Lee Sherman, a former employee of respondent Time-O-Matic, called as a witness by petitioners, said that during his employment, the blue-prints were limited to employees and were not public information (R. 742-743, Ab. 208).

William Hughes, another former employee of Time-O-Matic, was called as a witness by petitioners and he said that even though he had not been specifically told, it was his understanding that the information contained on those plans and drawings was available only to Time-O-Matic employees and he considered it as such (R. 752, Ab. 211).

In their desperation petitioners have attempted to say that when plans, drawings and specifications were sent out of the plant to suppliers, such plans, drawings and specifications lost their classification as trade secrets. The record is to the contrary.

Dale Beck, President of Danville Stamping Company, called as a witness by petitioners, said (R. 716, Ab. 198, 199):

> "We have made parts for Time-O-Matic . . . We were furnished Time-O-Matic prints at the time that those parts were made. Those prints were given to us by Time-O-Matic Company. I have no knowledge that any mention was made that those prints were secret, but again I treated them as that. *We would treat the plans of any person for whom we made parts as secret.*" (emphasis supplied)

And by way of further emphasis we would repeat that this is petitioners' witness and he was testifying for petitioners on direct examination.

At this point and in this connection the Court should consider the position and testimony of petitioner Sutphin. This petitioner, on the witness stand testifying for petitioners, related how trade secrets are handled in his own plant. He said (Ab. 66, 67):

> "Signatrol has a complete set of drawings and sketches of all the component parts of its products.

> No one would be permitted these sketches and drawings unless he had some reason to, which reason would be that he worked for us or *performed a duty for us.* It would need to be someone concerned with the progress and operation of our business. The drawings and prints of the component parts of Signatrol products are not open to inspection by our competitors. The only persons permitted access to these drawings would be employees *or suppliers or someone who had a reason for such access in connection with the company operation. We send the drawings to individuals who have reason therefor, for use in connection with company business, and their employees have access to those drawings.*'' (emphasis supplied)

The evidence before the trial court, presented in most part by the petitioners themselves and by their own witnesses, proved conclusively that the respondents were the owners of trade secrets, that petitioners while still employees of respondents, filched those trade secrets, copied them and having set up a business used them to compete with respondents. We ask this Court to consider as absolutely false the phrase "contrary to the undisputed evidence in the record.'' This is a trade secrets case in which the existence of the trade secrets was clearly and definitely established by the evidence and has been so found by three courts.

2. Petitioners say that the decree for injunction denies to them equal protection of the laws and deprives them of liberty and property without due process of law in violation of the first section of the Fourteenth Amendment.

Respondents say that petitioners' claim must be considered not in the abstract but in connection with this case

decided by the Supreme Court of Illinois. This case has three important characteristics:

a. It does not involve any patent, any patent law or any claim for patent protection.

b. It does not involve any statute of the State of Illinois, relating to copying, passing off or labelling.

c. It involves trade secrets only and says that when employees filch trade secrets, copy them and use them to compete with the employer, such employees may be enjoined from further use of such trade secrets and must respond in damages.

3. Petitioners use the word "monopoly" in a most evanescent manner. At times apparently they are referring to a patent monopoly, which, we assume, is the limited monopoly created by a patent. Wherever they mention monopoly in this framework it makes no sense for the reason that in this case no patent or patent right is involved. If they use it in the sense of excluding others from the manufacture of flashers it likewise makes no sense. This injunction prevents one corporate defendant and four individual defendants from using plaintiffs' blueprints, plans, specifications and tolerances, in manufacturing flashers, for a limited time, not yet decided, but estimated by plaintiffs to be two years.

Assuming that there are 150,000 corporations and 180,000,000 persons in the United States, it would appear that after this petition for certiorari is denied, 149,999 corporations and 179,999,996 persons will still be able to manufacture these flashers. That is why we say that petitioners' claim of monopoly makes no sense.

QUESTIONS PRESENTED.

The three questions posed by respondents when properly related to the proven facts should be restated as follows:

1. Is there any conflict between the law of trade secrets and that established by this Court in the cases of *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (Sears) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (Compco), which requires the attention of this Court?

2. Does a decree for injunction and damages in a trade secrets case deprive defendants of liberty and property without due process of law?

3. Does a decree in a trade secrets case violate any concept of Federally protected freedom of commerce and tend toward monopoly?

REASONS WHY THIS CAUSE SHOULD NOT BE REVIEWED BY THE COURT.

I.

THIS COURT HAS RECOGNIZED THE LAW OF TRADE SECRETS AND THERE IS NO CONFLICT BETWEEN THAT LAW AND THE LAW ESTABLISHED BY SEARS AND COMPCO.

Rule 19 says, in substance that this Court may grant a writ of certiorari "where a state court has decided a federal question of substance not theretofore determined by this court, or has decided it in a way probably not in accord with the applicable decisions of this court."

An analysis of the petition and reasons stated show that it falls far short of meeting the alternative standards set by Rule 19.

The heart of the decision by the Supreme Court of Illinois is that of trade secrets. The law of trade secrets does not involve a federal question at all. There is no provision in the Constitution and there is no federal statute which forbids any court to award damages and grant injunctive relief to the owner of trade secrets.

There is nothing in the *Sears* and *Compco* cases which warrant the granting of the petition for a writ of certiorari. These cases, held to their facts, simply state that where a design is unpatentable, a competitor may copy it and sell the resultant product. The "copying" was in each case done by honest means by a member of the general public and not while a confidential relationship existed between the parties.

Applying the teaching of *Sears* and *Compco* to the facts in this case they would provide that a competitor, having acquired respondents' flasher in the open market, could take it to his laboratory, make copies of the parts, work out the tolerances and within a couple of years come up with an acceptable product and market the product, even, perhaps, irrespective of the confusion of source. In fact, that is what A. B. McMahan, of Minneapolis, a competitor of respondents did and respondents made no complaint. (Ab. 126, 127, App. 42).

Respondents here, however, do not seek relief based upon confusion of source. Petitioners, it is claimed, in breach of trust growing out of a confidential relationship, to-wit: employer-employee, have wrongfully appropriated and are using respondents' property to the damage and detriment of respondents (R. 30-34, Ab. 2-6). And there is nothing in *Sears* or *Compco* which would warrant the inference that the Supreme Court is now countenancing what has come to be regarded as industrial theft.

The Servo Case.

Precisely in point is the case of *Servo Corp. of America* v. *General Electric Company,* 337 F.2d 716 (C.A. 4, 1964) rehearing denied with opinion 342 F.2d 993 (C.A. 4, 1965) where the Court of Appeals while invalidating plaintiff's patents, nonetheless found the defendant guilty of unfair competition based upon violations arising out of a confidential relationship, and stated:

> "Courts long have recognized that where the holder of a trade secret imparts it to another in confidence and that other person appropriates it for his own use, equitable remedies may be invoked to right the wrong."

As to the alleged clash in policy between the patent laws and the trade secrets law raised by petitioners, the following language from *Servo* is applicable (quoting from an earlier decision of the same court in *Hoeltke* v. *C. M. Kemp Mfg. Co.*, 80 F.2d 912 (1935)' cert. denied 298 U.S. 673 (1936)):

> "It would be a reproach to any system of jurisprudence to permit one who has received a disclosure in confidence to thus appropriate the ideas of another without liability for the wrong."

The Court of Appeals in *Servo* also has dealt with the contention that *Sears* has somehow changed the law of trade secrets. Referring to *Sears* the Court stated:

> "In that case the action was grounded upon a state statute which gave a remedy for copying resulting in confusion as to the source of manufacture. In that case the Court held that a manufacturer whose design and mechanical patents were invalid for want of invention cannot under a state unfair competition law obtain an injunction against copying its product nor an award of damages for such copying, as such a use of a state law conflicts with the federal government's power to grant patents. The Court went on to hold that an unpatented article being in the public domain may be freely copied as the federal patent law had pre-empted the field from state action. This case, however, is one of unjust enrichment through breach of a confidential relationship and the remedy is derived from the court's power to award general equitable relief."

The trade secret concept is not destructive of the policy sought to be advanced by federal patent law. The petitioners to the contrary notwithstanding, the policy of our patent system and that which gives enforcement to property rights known as trade secrets are not mutually exclu-

sive and do not clash. Thus, in *Becker* v. *Couture*, 279 U.S. 388, 390 (1929), this Court said:

> "It is not denied that the jurisdiction of the courts of the United States is exclusive in the case of suits arising under the patent laws, but it was held below that the suit in the State Court did not arise under those laws. It is plain that that suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject matter . . . [the] claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust . . . [citing cases]"

The fact is that the underlying purpose of the patent laws is to encourage invention by rewarding the inventor with a limited right to exclude the general public from the use of the invention. The law of trade secrets, however, has a completely different purpose. It has as its foundation not the encouragement or discouragement of invention or advance in the arts and sciences, but rather the protection and safeguarding of secret and confidential knowledge, data and information from unlawful incursion by one in a contractual or confidential relationship—in this case, that of Employer and Employee.

Thus, the basis upon which trade secret protection is granted has nothing to do with patent law or other federal policy. The essence of the remedy is to repair, redress or enjoin a breach of faith, and the reaping of gain thereby.

Other Recent Cases.

In addition to *Servo*, two other cases recently decided should be noticed and considered. The first is *Edgar H. Wood Associates, Inc.* v. *Skene*, 347 Mass. 355, 197 N.E. 2d 886 (1964). In that case the Supreme Judicial Court of

Massachusetts had before it a case where the employee had left the plaintiff's employment, took with him plaintiff's plans for apartment buildings, copied them and used them. The Court held that the plaintiff had a common law copyright in the plans, considered the *Sears* and *Compco* cases, and said:

> "In our view these decisions recognize that the common law copyright may exist, by virtue of 17 U.S.C. § 2 (1958) in unpublished material which has not become a fact of the public domain. Accordingly, if Wood's plans have not been published as to be within the public domain, the Supreme Court decisions do not preclude relief in the predatory situation here alleged."

The second is *Wallace & Tiernan, Inc.* v. *James B. Harrison et al,* Civil Action No. C63-555, U.S.D.C., N.D. Ohio, 1964, (Unreported). In that case the complaint charged the defendants with the use of secret and confidential information, knowledge and data obtained by the defendants Harrison and Ditzel while they were in plaintiff's employ, said use allegedly being in violation of restrictive agreements signed by these two defendants. Defendants filed a suit for summary judgment, cited the *Sears* and *Compco* cases and argued that the complaint did not state a cause of action.

Kolbfleisch, D. J., considered the motion by defendants for a summary judgment to be a motion to dismiss. After a full analysis of the *Sears, Compco* and *Servo* cases, the court said:

> "The present case alleges not only a breach of a confidential relationship but a breach of a contractual and fiduciary duty not to use or disclose secret and confidential information. Upon the allegations of the

> complaint in this case, it cannot be said that a State law which protects one person from an abuse of the confidence he has shared with another person clashes with the objectives of the federal patent laws as enunciated in *Sears* and *Compco.*"

Thus, we have three cases distinguishing *Sears* and *Compco: Servo* on the basis of trade secrets alone, Wood on the basis of common law copyright and *Wallace & Tiernan* on the combined basis of trade secrets and contract.

The Legal Literature

At page 20 of their brief petitioners come up with the proposition that the legal literature bearing on the proper relationship of the Court's opinion in *Sears* and *Compco* to trade secret cases all indicate the desirability of a grant of certiorari here to delineate the extent, if any, to which a state court may go in restricting the Federally-protected right to duplicate unpatented devices. In a footnote they cite two articles: "Product Simulation: A Right or a Wrong?" by Daphne R. Leeds, Milton Handler, Walter J. Derenberg, Ralph S. Brown, Jr., and Paul Bender, 64 Columbia L.R. 1178, at 1189, 1203, 1208 (1964); "The Sears and Compco Cases: A Federal Right to Compete by Copying," by Lionel Kestenbaum, 51 American Bar Journal 935, at 938 (Oct. 1965).

We let this legal literature speak for itself. Professor Handler at pages 1189 and 1190, says:

> "Suppose a manufacturer has a valuable trade secret which one of his competitors wrongfully procures. Is this another area, though not explicitly mentioned in *Sears* or *Compco,* in which a re-evaluation of well settled legal principles is required? By definition, a trade secret is not patented; frequently it is unpatentable. Yet so long as secrecy is maintained, relief will be afforded against appropriation. See e.g. *Peabody*

> v. *Norfolk,* 98 Mass. 452 (1868). See generally 2 Callman Unfair Competition and Trade Marks, Note 27, §§ 51-59; Restatement Torts §§ 757-59 (1938). Recovery is not limited to money damages; an injunction will issue against a repetition of the wrong, and, in addition, against the use of the secret itself. In other words, the courts are granting a limited monopoly in an unpatented article or process against a wrongdoer, who, by his conduct, has forfeited the right available to everyone else to use the subject matter of the secret when fairly discovered. Has this body of law also been discarded by *Sears* and *Compco*?
>
> * * *
>
> Despite Justice Black's absolute language, I find it hard to believe that the Court intended to jettison the large body of state law of unfair competition which has developed over the last century and a half."

Mr. Kestenbaum, writing to the same effect, at page 938, says:

> "Of course there would still remain other subjects involving copying in the broad sense, as to which *Sears* and *Compco* are not dispositive. For example, I have little doubt that courts will continue to enforce covenants not to compete and grant relief for a trade secret in violation of a confidential relationship, [*Servo Corporation* v. *General Electric Company,* 337 F.2d 716, (4th Cir. 1964); *Edgar H. Wood Associates Inc.* v. *Skene,* 197 N.E. 2d 886, (Mass. 1964)], although they prohibit (or award damages for) the copying and making of unpatented articles."

We have looked searchingly and long at this legal literature and we fail to see that it indicates the desirability of a grant of certiorari in a trade secrets case. Neither Professor Handler nor Mr. Kestenbaum appears to have any great unsatisfied desire for certiorari. On the contrary, Professor Handler and Mr. Kestenbaum are quite content with the law of trade secrets as it now exists. We humbly suggest to the Court that it be left "as is".

II.

THE INJUNCTION DOES NOT DEPRIVE PETITIONERS OF LIBERTY AND PROPERTY WITHOUT DUE PROCESS OF LAW.

(answering Petitioners' Point II)

Under this point (Brief p. 21) petitioners admit that they obtained their information regarding the respondents' flasher while employed by the respondents. Then they proceed to say that this is not enough to justify the palpable discrimination against the petitioners which is a violation of the first section of the Fourteenth Amendment.

Petitioners cite no cases in support of their claim. Perhaps their research failed to reveal any case which would support this fanciful position.

As a matter of fact the law on this point was settled by this Court nearly fifty years ago, in the case of *DuPont Powder Co.* v. *Masland,* 244 U.S. 100, 102 (1917) involving a suit as here, to enjoin the use of trade secrets by a defendant who had acquired knowledge while employed by plaintiff. Mr. Justice Holmes, speaking for the court said:

> "The word property as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not, the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied but the confidence cannot be. *Therefore the starting point for the present matter is not property or due process of law, but that the defendants stood in confidential relations with the plaintiffs,*

> *or one of them.* These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations." (emphasis added.)

This identification of confidential relationship as the starting point or foundation of the law of trade secrets stands in the mainstream of long established precedent.

In *Youvatt* v. *Winyard* (1820) 1 Jac. & W. 394, it appeared that plaintiff was the proprietor of veterinary medicines and that defendant, employed as an assistant, surreptitiously got access to plaintiff's book of recipes, copied them and sold the medicines, with printed papers for administering them, which was almost literal copies of those composed by plaintiff. Lord Chancellor Eldon granted the injunction upon the ground of "there having been a breach of trust and confidence."

A century later the Supreme Judicial Court of Massachusetts uses the same significant words in *Wireless Specialty Apparatus Co.* v. *Mica Condenser Co.* (1921) 239 Mass. 158, 131 N.E. 2d 307, when it said:

> "The fundamental requirement for relief is a violation of trust and confidence. Anyone who gets knowledge honestly can use it provided he has not restrained by the relationship under which he acquired it."

Petitioners have not been deprived of their liberty and property without due process of law.

III.

THE STATE COURT JUDGMENT DOES NOT VIOLATE THE CONCEPT OF FEDERALLY PROTECTED FREEDOM OF COMMERCE AND DOES NOT TEND TOWARD MONOPOLY.

(answering Petitioners' Point III)

Again petitioners are comfortably general and vague in their statements and cite no cases for their authority.

In preparation for this brief we have examined dozens of cases involving trade secrets and we fail to find one single case where it was ever said that the relief granted in a trade secrets case tended toward monopoly. All the cases indicate that the purpose of that relief is to restore to the owner of the trade secrets at least part of what has been taken away from him.

For example, in *Hoeltke* v. *C. M. Kemp Mfg. Co.* (C.C.A. 4 (1935)) 80 F.2d 912, cert. denied 298 U.S. 673 (1936) the court says:

> "... where in advance of granting a patent, an invention is disclosed to one who, in breach of the confidence thus reposed, manufactures and sells articles embodying the invention, such person shall be held liable for the profits and damages resulting therefrom, not under the patent statutes but upon the principle that equity will not permit one to unjustly enrich himself at the expense of another."

Petitioners throughout this extended litigation have attempted to persuade the Court to believe that the injunction puts them out of business. There is no evidence in this record that will support any such conclusion. As a matter of plain fact, the injunction prohibits petitioners from using parts made from the drawings filched from

respondents. It does not prohibit petitioners from using any one or more of the many other ways of making flashers. There is not a scintilla of evidence in the record that the method used by respondents is the only method that is available for accomplishing the animation of signs.

SUMMARY.

This is a trade secrets case. It relates to an Employer-Employee relationship and to the Defendants Employees breach of their fiduciary obligation to the Plaintiff Employer. It involves no patent and no claim for patent protection. The petitioners, while in the confidential relationship of Employer-Employee, filched the trade secrets, copied them and used them in setting up a new business in competition with respondents.

The Supreme Court of Illinois holds that petitioners should be enjoined for a "period of time required for the production of the flashers by lawful means," and should respond in damages.

Petitioners strive to convince this Court that the doctrine established in the *Sears* and *Compco* cases should be extended to cover a simple uncomplicated trade secrets case involving the obligations of employees to their employer.

We have shown this Court has long recognized the law of trade secrets and that there is no conflict between that law and the law established by *Sears* and *Compco*. The Court of Appeals in *Servo* has so held and Professor Milton Handler and Mr. Lionel Kestenbaum agree.

There is no question under the Fourteenth Amendment for the reason as Mr. Justice Holmes, so aptly put it, the starting point for the present matter is not property or due process of law, but that defendants stood in confidential relations with the plaintiffs.

Additionally, the relief granted does not tend to establish a monopoly but to restore to respondents what was wrongfully and surreptitiously taken from them.

Finally, and fundamentally, respondents rely upon this Court to support precedent and the prevailing trend to combat commercial immorality. In the recent case of *Hollywood M. P. Equipment Co.* v. *Furer,* 16 Cal.2d 184, 188, 105 P.2d 299, 301 (1964) the Supreme Court of California stated the very basic foundation of the law of trade secrets, as follows:

> "Defendant did not acknowledge the dominance of a fundamental precept of honesty and fair dealing, enjoined by the Decalogue and supported by prevailing moral concepts. 'Thou shalt not steal' applies with equal force to the industralist of a complex civilization as to the simple herdsman of ancient Israel."

The cause of justice will be served by the denial of the petition for a writ of certiorari.

Respectfully submitted,

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No. 1016

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

SIGNATROL, INC., a corporation, JOHN W. SUTPHIN, WILLARD E. BACHMAN, JOSEPH E. McNAMARA and WENDELL R. WALKER,

Petitioners,

VS.

EDWARD J. SCHULENBURG, EDWARD J. SCHULENBURG, JR., HELEN E. SCHULENBURG and MARIE E. POTTEBAUM, Co-partners doing business as TIME-O-MATIC COMPANY, TIME-O-MATIC, INC., a Corporation, and E-S INDUSTRIES, INC.,

Respondents.

PETITIONERS' REPLY TO RESPONDENTS' BRIEF OPPOSING CERTIORARI

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I.

IT IS ABUNDANTLY CLEAR THAT NEITHER THE RESPONDENTS' UNPATENTED PRODUCTS NOR THE DRAWINGS AND BLUEPRINTS DESCRIBING THEM ARE TRADE SECRETS AND THAT THE RULES LAID DOWN IN THE SEARS AND COMPCO CASES APPLY HERE.

The only ground on which the Respondents attempt to justify the refusal of the Supreme Court of Illinois to

apply and follow the decisions of this Court (*Sears Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225; *Compco Corp.* v. *Day-Brite Lighting Inc.*, 376 U.S. 234) is that in the instant case a trade secret is involved. However, the testimony cited by the Respondents in their Answer (pp. 3-5) does not prove the existence of a trade secret. The Respondents cite portions of the record wherein the Petitioners and other witnesses testified that the drawings and blueprints of Respondents would not have been freely distributed to anyone desiring copies. The fact that such items are not given away by an employee does not support the conclusion that such drawings and blueprints are necessarily trade secrets. Such evidence only proves that while employed an employee must be loyal to his employer and is under a duty to refuse to give away information, whether secret or not, belonging to his employer. This is equally true of office furniture, tools, supplies, finished products, or inventory, and does not make trade secrets of them any more than an employee's duty not to give away drawings and blueprints of his employer turns the drawings and blueprints into trade secrets.

The evidence to the effect that the drawings and blueprints of the Respondents would not have been distributed freely by employees or suppliers to just anyone who might ask for them is no different than the testimony that any manufacturer could furnish relating to any manufacturing process, patented or unpatented, secret or non-secret, and by no stretch of the imagination proves the secrecy necessary to establish a trade secret under the authorities cited in our Petition for Certiorari (pp. 15-19).

We have no quarrel with the proposition that the *paper* on which Respondents' drawings and blueprints appeared constituted the private property of the Respondents, but the Respondents had the additional burden of clearly estab-

lishing that the *information* comprised a trade secret. This burden they have not discharged, and in view of the undisputed evidence that this information was not secret, but was well known in the trade (Petition, pp. 14-15), the testimony relied upon by the Respondents does not rebut the undisputed evidence of the non-existence of a trade secret.

Whether or not a trade secret exists is not just a question of the state of the mind of the Respondents but is a precise legal finding to be drawn from all of the evidence dealing with the nature of the thing sought to be classed as a trade secret.

The Respondents ignore the clear evidence in the record that:

(a) The flasher device—to which these plans and drawings pertain—is a simple unpatented article which could be easily duplicated without reference to to the plans and drawings of Respondents.

(b) The publication and wide circulation of the plans and drawings places them in the public domain and is therefore fatal to the Respondents' contention that such documents are trade secrets.

None of the cases cited by Respondents proves that a trade secret exists in the present case so that *Sears* and *Compco* are not to be followed. *Servo Corp. of America* v. *General Electric Co.*, 337 F.2d 716 (C.A. 4, 1964) rehearing denied with opinion 342 F.2d 993 (C.A. 4, 1965), certiorari denied, October Term, 1965, Term No. 154, involved a true trade secret. The product involved had not been widely distributed, as were the drawings and blueprints in the instant case. The opinion of the Court of Appeals in denying rehearing explicitly recognized that

under *Sears* and *Compco* no damages could be recovered after there was a public disclosure of the product (342 F.2d 993). In other words, unless a trade secret were shown to exist, damages were not recoverable. No injunction was granted in *Servo*.

Edgar H. Wood Associates, Inc. v. *Skene*, 347 Mass. 355, 197 N.E. 2d 886 (1964), cited by Respondents, held that the principle established by *Sears* and *Compco* was inapplicable because the architectural plans involved were the subject of common law copyright and had not been published so as to be within the public domain. In the instant case there is no finding of a common law copyright and there is ample, undisputed evidence of the widespread circulation of the drawings and blueprints which the courts below wrongly held were trade secrets. Calling the Respondents' drawings and blueprints secret flies in the face of the undisputed facts.

The Respondents give no citation to any report of *Wallace & Tiernan, Inc.* v. *Harrison*, Civil Action No. C63-555, U.S.D.C., N.D. Ohio, 1964, and the opinion is not available to us. However, the quotation from the opinion given by Respondents indicates that the case is not applicable here because that case involved "a breach of a contractual and fiduciary duty not to use or disclose secret and confidential information". In the case at bar, there is undisputed testimony that there was no contractual obligation of secrecy (Abst. 132, 163, 286).

None of the cases cited by Respondents justifies refusing to follow *Sears* and *Compco* in the case at bar.

The Respondents understandably ignore the very recent Pennsylvania Supreme Court case, *Van Products Co.* v. *General Welding & Fabricating Co.* 213 A.2d 769 (Oct. 13, 1965) cited and quoted in our Petition for Certiorari (pp.

18-19) which completely undercuts the case of *Smith* v. *Dravo, Inc.* 203 F.2d 369 (C.A. 7, 1953) which was based upon Pennsylvania law and is the case on which the Supreme Court of Illinois relied (Appendix, p. 39). This recent Pennsylvania case properly held that the "starting point in every case of this sort is not whether there was a confidential relationship, but whether, in fact, there was a trade secret to be misappropriated" (213 A.2d 769, 780).

If the holding of the Supreme Court of Illinois is sustained that the widely circulated drawings and blueprints involved in this case are trade secrets, thereby evading the ruling in *Sears* and *Compco,* it is difficult to imagine any future case between employer and former employee in which *Sears* and *Compco* will protect the right of the former employee to compete with his former employer. It will be a simple matter to prove that some information memorized by the former employee—copying is not required by the decision of the courts below—is at least as much of a "trade secret" as the widely circulated, non-secret drawings and blueprints which have been held in the instant case to be trade secrets.

Unless the judgment below is reversed, *Sears* and *Compco* are completely devitalized in any suit between an employer and his former employees, for it will be a simple matter to evade the effect of those decisions by holding that employees have no right to use information which they have learned in the course of their employment, because that information is "confidential" simply because of the employer-employee relationship.

We submit that the Federally-protected doctrine of free competition in the manufacture of unpatented articles, which the Federal constitution guarantees, as held in

Sears Roebuck & Co. v. *Stiffel Co.*, 376 U.S. 225 and *Compco Corp.* v. *Day-Brite Lighting Inc.*, 376 U.S. 234, is seriously invaded by the device adopted below of finding a trade secret to exist where in fact there is no secrecy, and that this question is important enough to merit the granting of the writ of certiorari.

II-III.

THE INJUNCTION GRANTED VIOLATES THE CONSTITUTIONAL RIGHTS OF THE PETITIONERS.

Interwoven throughout the Respondents' answer to our contentions (Points II and III) that Petitioners are deprived of liberty and property without due process of law, and that Federally-protected doctrines of freedom of competition are invaded by the injunction affirmed by the Supreme Court of Illinois, is the argument that since the Petitioners are former employees of the Respondents and were once in a confidential employee-employer relationship, they may lawfully be deprived of the right freely to compete with their former employer.

Cases cited by the Respondents under these headings of their answering brief are authoritative only on the theory that the cited cases involved trade secrets. An examination of the cases indicates that they were trade-secret cases, which is enough to differentiate them from the present case which involves no actual secrets, trade or otherwise.

The Respondents state that the Petitioners are general and vague in their reference to the effect of the injunction in this case. We invite the Court's attention to the scope and extent of the injunction granted here in order to point out the manner in which this decree violates the rights of the Petitioners guaranteed to them by the Federal Con-

stitution. Although the duration of the injunction may later be modified by Illinois trial court, the scope of the injunction remains in its initial harsh form. The decree enjoins Petitioners from: (1) The sale, manufacture or production of any flasher or any component parts thereof which are substantially similar to a particular model flasher; (2) Selling or manufacturing a flasher using the same principles as a particular model of Respondents' flasher; (3) Selling or manufacturing flashers which possess any parts similar to those of Respondents; (4) Using any information on Respondents' plans and drawings or using like drawings and plans for any purpose; and (5) Using any confidential information obtained as employees.

Under the provisions of the decree, the Petitioners cannot even have a new flasher designed and built for them by independent engineers who have never known or had any contact with Respondents' business.

Such a decree not only violates the principles laid down in the *Sears* and *Compco* cases but it also grants to Respondents a measure of protection that would exceed the rights granted under a patent.

Yet in the face of such a decree, the Respondents contend that the injunction does not deprive Petitioners of liberty and property without due process. They further argue that such a decree does not give them monopoly rights. To justify such a claim they state that there are many other ways of making flashers. This same argument could have been used in the *Sears* case for there are more ways to light a room than from a pole light. Nevertheless, this Court had no difficulty in the *Sears* and *Compco* cases in deciding that a substitute method of obtaining a desired result need not be used if the article copied is not patentable. This Court decided that it is a violation of the Federal Constitution for state law to prohibit or punish such copying.

The Respondents further attempt to justify this harsh decree by saying that it only affects one corporate defendant and four individual defendants. Such a statement clearly points out the inequities of this decision. The Respondents admitted that an outsider could copy this device without reference to the Respondents' plans (Abst. 237), yet these particular Petitioners are singled out—as opposed to the other 180 million Americans—to be the only persons who cannot copy these flashers merely because they happen to be former employees of the Respondent Time-O-Matic Company. Such a result is not in harmony with the Constitution and the decisions of this Court in *Sears* and *Compco.*

We respectfully request that the Writ of Certiorari be granted as prayed in our Petition.

Respectfully submitted,

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